Mackenzie Financial Corporation

ANNUAL REPORT | 1999

nineteen ninety-nine

1999

Our Mission

Building financial independence
for individual investors
in partnership with their independent financial advisors

Pour recevoir un exemplaire en français de ce rapport,
s'adresser à la Corporation Financière Mackenzie,
à l'adresse postale indiquée sur la troisième page de couverture.

Corporate Profile

Performance Based on our reputation, performance and a choice of over 75 Mackenzie funds, more than one million investors have entrusted us to manage over $31 billion of their mutual fund investments. They confidently rely on our domestic and international portfolio management teams to protect and increase their wealth.

Leadership Mackenzie has been Building Financial Independence for investors since 1967. Working closely with our valued partners—independent financial advisors, shareholders, mutual fund investors and our employees—we've built one of Canada's leading financial services organizations.

Service More than 30,000 independent financial advisors have come to know, trust and recommend Mackenzie funds. So that these advisors can best serve their clients, our employees provide them with industry-leading sales support, educational programs, financial products and efficient service.

Diversification Our Corporation operates through three significant business units:

- **Canadian Asset Management Operations** – the marketing and management of public mutual funds in Canada through Mackenzie Financial Services Inc. and the management of assets for private individuals and organizations in our separate account business.
- **U.S. Asset Management Operations** – the marketing and management of public mutual funds and separate accounts in the United States through our majority owned subsidiary, Mackenzie Investment Management Inc. Mackenzie Investment is itself a public company in Canada, with its own listing on The Toronto Stock Exchange (stock symbol MCI).
- **Trust and Administrative Services** – a broad range of financial products and services offered through M.R.S. Trust Company, Multiple Retirement Services Inc. and M.R.S. Securities Services Inc.

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Mackenzie
Building Financial Independence

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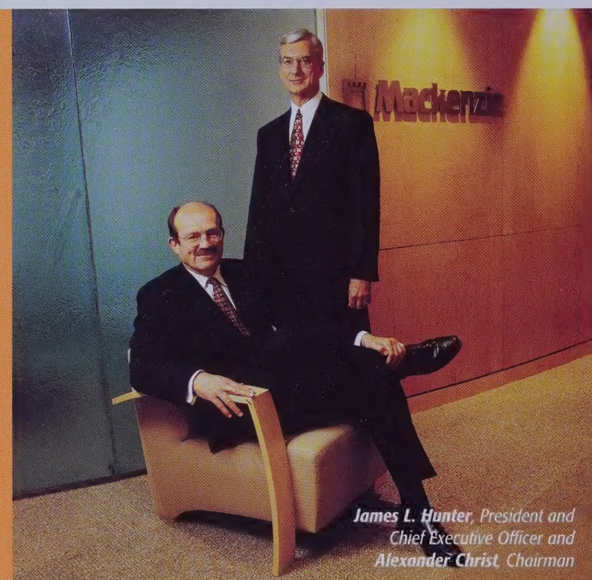
Mackenzie
Building Financial Independence

To our Shareholders

We are pleased to report that fiscal 1999 was another productive year for your Corporation. We posted record highs in many of the categories which we use to measure our progress, although (as we predicted last year) at growth rates which did not match our fiscal 1998 gains.



***James L. Hunter**, President and Chief Executive Officer and **Alexander Christ**, Chairman*

The specific results in each of our benchmark categories are summarized in the operating review which follows. The net earnings and earnings per share charts require an explanation —the significant achievement in those categories was derived not from our business units, but rather from our exchange of Midland Walwyn Inc. shares for Merrill Lynch & Co., Canada Ltd. shares in August 1998. The impact of that special transaction is described in greater detail in our consolidated operating results.

As you review this Annual Report, we believe you will be pleased with the progress of the business. Our core Canadian Asset Management Operations increased its market share in the Canadian fund industry amid growing competition, and our Trust and Administrative Services posted a much improved contribution to our consolidated results. Our U.S. Asset Management Operations suffered a decline this year in assets under management—but we believe the decline will prove to be temporary as U.S. investors begin returning to international investment funds. We continue to expand our portfolio management team, products and services in that market to gain greater investor acceptance.

The competition in the Canadian marketplace is increasing, particularly among the major participants. During the past few years the larger mutual fund companies (including Mackenzie) have emerged as clearly dominant players, with a growing separation between their assets under management and the assets of the mid and small size fund companies. In recent months, we have begun to see consolidation among those smaller participants as they attempt to regain market share and operating efficiencies. We expect that the consolidation trend will continue in our industry.

We are always striving to improve our competitive position. Your Corporation possesses many strengths which will ensure our success in this competitive environment:

- over $33.4 billion of assets under administration, which provide significant economies of scale that benefit our fund investors through lower cost investment products
- over $400 million of liquid capital, available to invest in technology and systems to reduce our operating expenses and to finance appropriate acquisition or growth opportunities
- a management team with a depth of talent and experience and a record of delivering the innovative products and services which our dealers and investors increasingly demand.

We intend to employ our size, capital and talent advantages to compete effectively in the financial services industry in the years ahead, and to enhance shareholder value.

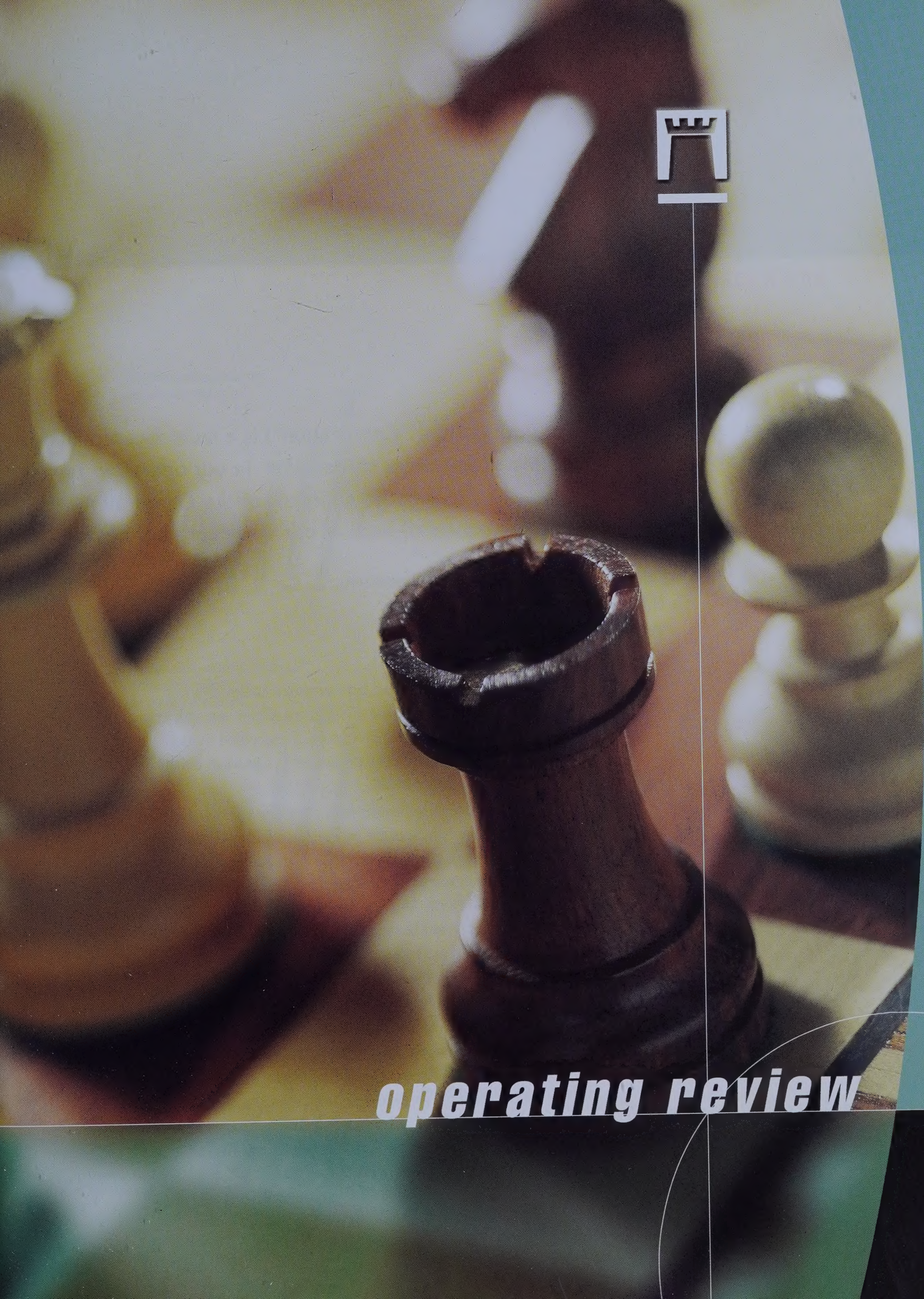
On behalf of the Board of Directors and our dedicated employees, we thank you for your continuing support.

Alexander Christ

ALEXANDER CHRIST
Chairman

James L Hunter

JAMES L. HUNTER
President and Chief Executive Officer



operating review

1999 The year in review
and a look to the future

Mackenzie Financial Corporation (the "Corporation") is a multi-faceted investment management and financial services corporation. In our operating review this year, we have provided a consolidated overview of the Corporation as well as a segmented operating view of each of our three core businesses:

- **Canadian Asset Management Operations**
- **U.S. Asset Management Operations**
- **Trust and Administrative Services**

With each segment we have provided charts, pictures and text to give a sense of our management strength and diversity and the shareholder value embodied in each business. All amounts reported are in Canadian dollars unless otherwise stated.

Each of these businesses share many attributes which we believe enhances the consolidated value—beyond the sum of their parts. We continue to develop a broader range of financial services products for distribution to our partners, North America's independent financial advisors. Historically, our business has used conventional sales and distribution techniques. However, we are increasingly employing new technologies to improve services while eliminating unnecessary costs to investors.

This simple concept of building and providing services for independent financial advisors is fundamental to our business strategy of building financial independence for investors. The development of quality products with active input from independent financial advisors has been critical to the results we present in this Annual Report and will continue to be so into the future.

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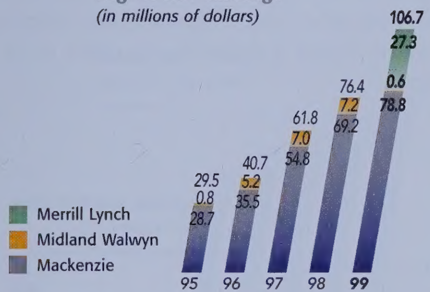
Consolidated Review

Higher net earnings
(in millions of dollars)

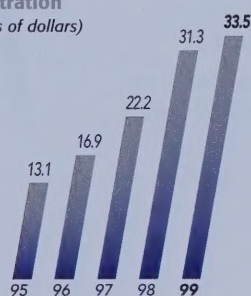


Our consolidated net earnings rose to a record high of $106.7 million.

Included in net earnings was a gain on the exchange of our Midland Walwyn Inc. ("Midland") shares for those of Merrill Lynch & Co., Canada Ltd. ("Merrill Lynch") in the amount of $27.3 million (net of income taxes of $13.8 million).

The equity in earnings of Midland declined to $0.6 million a result of lower earnings reported by Midland and the aquisition of Midland by Merrill Lynch Inc. effective August 26, 1998.

Increasing assets under administration
(in billions of dollars)



Total investment management assets increased by $2.1 billion (6.7%) during the year.

The negative year-over-year total return on The Toronto Stock Exchange and poor performance of the world's Asian and emerging markets moderated the benefits of that increase.

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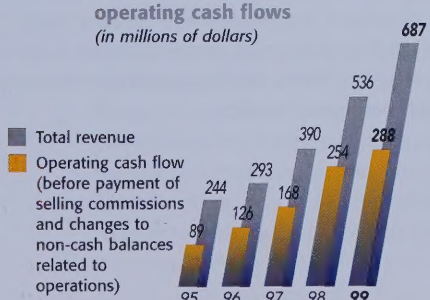
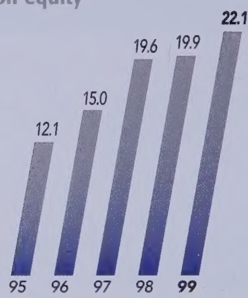
Record revenues and operating cash flows
(in millions of dollars)



Our consolidated revenues, operating cash flows and earnings are each highly correlated to growth in assets under management and administration.

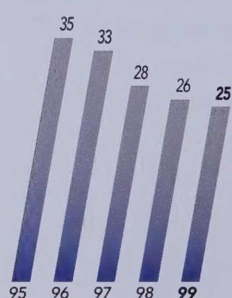
Total revenues increased to $687 million and operating cash flows to $288 million as a result of the increase in total managed assets. In addition, revenues include the gain on exchange of our Midland shares for Merrill Lynch shares in the amount of $41.1 million.

Return on equity
(percent)



We continue to outperform many of our competitors in the financial services industry in the utilization of our existing capital. Actual return on equity of 22.1% exceeded our operating plan target of 15%. However, a return of this level will be difficult to maintain with the large pool of discretionary capital we hold, which earns only nominal rates of return, unless we are diligent in deploying that capital in the expansion of our business.

General and administrative and subadvisory fee expenses per dollar of revenue
(percent)

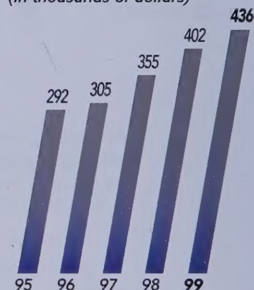


Our management team continued its commitment to improved productivity by:

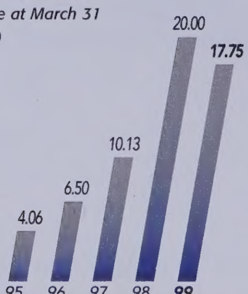
- reducing general and administrative expenses to 25% of total revenue as compared to 26% last year
- increasing revenue per full time employee by $34 thousand

Both calculations are exclusive of the gain on exchange of Midland shares.

Revenue per full time employee
(in thousands of dollars)

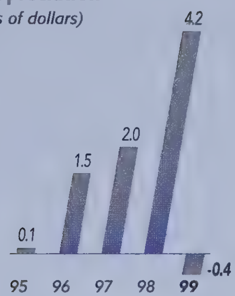


Shareholder value
Share price at March 31
(in dollars)



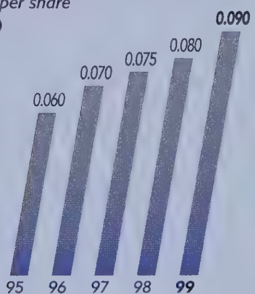
Despite improvements in most of the measures we use to value our performance, the most significant item, shareholder value, actually declined this year over last. Our share price was not immune from concerns over moderating industry growth and the negative performance of Canadian and international equity markets.

Asset appreciation
(in billions of dollars)



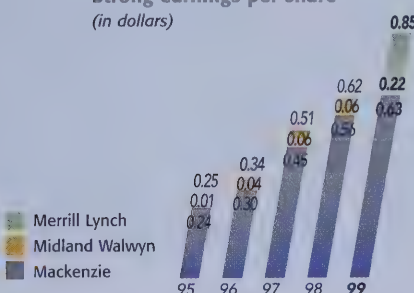
Over the past year, our fund investors also experienced a decline in total value. Our relative investment performance was among the industry leaders in Canada, with 72% of our assets and 20 funds placing in the top two quartiles for one year performance. But overall, poor Canadian and international market returns caused unitholder value in Canada and the U.S. to decline by $425.1 million from the prior year.

Increasing dividends
Dividends per share
(in dollars)



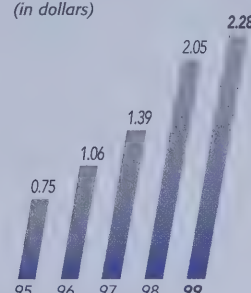
We maintained our record of regular annual dividend increases while significantly strengthening our cash flow and ability to increase future dividends.

Strong earnings per share
(in dollars)



Strong operating growth was recorded for existing shareholders. We strive to build our business without causing undue dilution to existing shareholders. Earnings and cash flow increases led directly to per share increases for these value measures as well.

Improved cash flow per share
(before payment of selling commissions and changes to non-cash balances related to operations)
(in dollars)



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During the second quarter of fiscal 1999, we participated in the acquisition of Midland by Merrill Lynch Inc. We received 1,680,000 shares of Merrill Lynch exchangeable on a one-for-one basis into Merrill Lynch Inc. shares for our shares in Midland. This transaction transformed, on a tax deferred basis, the Corporation's large illiquid stake in an increasingly successful Canadian brokerage business into a very liquid investment in one of the world's largest multinational investment firms. The share exchange resulted in a book gain of $27.3 million (net of income taxes of $13.8 million) which was included in our results in the second quarter of fiscal 1999. Since September 30, 1998 the Merrill Lynch shares have traded at a premium to book value, but there is no assurance that they will continue to do so.

Subsequent to year-end, we sold 336,000 of our Merrill Lynch shares and recorded a further gain of $13.0 million, net of income taxes payable of $5.5 million.

Mackenzie
Building Financial Independence

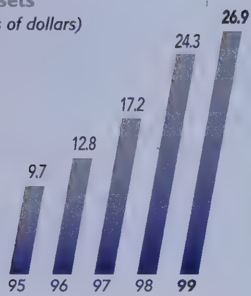
CANADIAN ASSET MANAGEMENT OPERATIONS

from left:
Liana George
Terry O'Sullivan
Todd Backman
David Feather
Andrew Dalglish
Phil Cunningham
Mark Tiffin
Ann Savege

The Canadian Asset Management Operations are conducted through Mackenzie Financial Services Inc. ("Mackenzie")

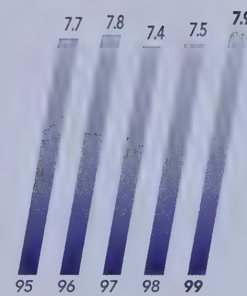
The last fiscal year was an extremely busy one for our Corporate Group and Canadian Mutual Fund management team. Positioning this business for the future was, and continues to be, a key focus.

Fund assets
(in billions of dollars)



Canadian mutual fund assets grew to $26.9 billion and Mackenzie became the largest mutual fund company selling through independent advisors in Canada. Equally important, Mackenzie's market share of industry assets grew to 7.9% from 7.5%.

(percent)



The Cundill Funds

In September 1998, we acquired the fund administration business carried on by Peter Cundill and Associates Inc., and the marketing responsibilities for the Cundill Funds. By entering into a long-term subadvisory agreement with the Cundill investment team, we added a group of capable managers who follow a contrarian value style which focuses on buying companies at prices below their intrinsic value. The Cundill administration business, located in Vancouver, provides the Corporation with a base three time zones from our head office from which management can launch further improvements in group-wide service. The Cundill Funds complement the Ivy, Industrial and Universal Fund families and will become an element of our STAR and KEYSTONE asset allocation programs.

THE UNIVERSAL FUNDS

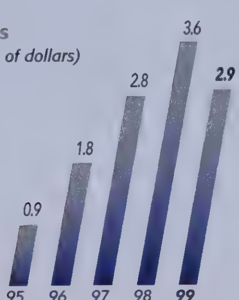
Of the four funds we launched in Canada during the past year, one was particularly notable: Universal Select Managers Fund. The multi-manager structure and strong initial performance attracted the support of the independent financial advisor network and at March 31, 1999, seven months after its launch, assets under administration in the Fund exceeded $259 million.

To broaden the appeal of the multi-manager concept an RRSP-eligible version of this Fund was launched early in the fiscal 2000 year and also met with an enthusiastic sales response.

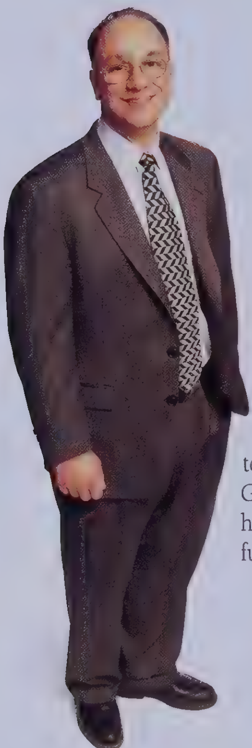
While comparisons to industry peers were favourable, net sales of Canadian mutual funds declined to $2.9 billion from $3.6 billion in 1998. Moderating industry sales and declining equity markets in Canada had a dampening effect on our planned earnings growth.

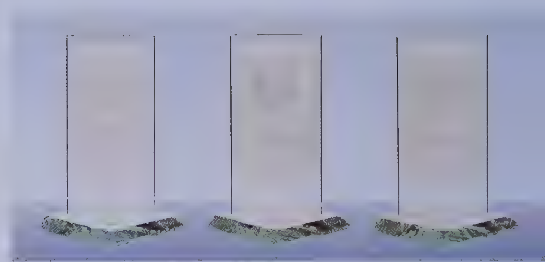
This situation tested management's ability to control its discretionary spending. Actual improvements in Mackenzie's contribution to the Corporation's earnings are a testament to the effectiveness of our management team.

Net sales
(in billions of dollars)



(in millions of dollars)

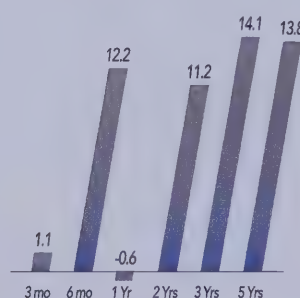




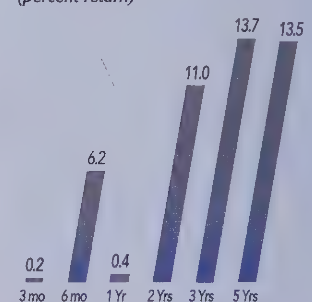
Jerry Javasky, one of our team of outstanding in-house portfolio managers, was awarded "Fund Manager of the Year" at the Canadian Industry's Mutual Fund Awards. Mackenzie was nominated for 11 of 22 awards and won awards in six categories, including three awards to the Ivy investment management team. Jerry's recent work in building up his team's management strength and performance on Ivy Canadian and Ivy Growth and Income funds have had investors who own these funds applauding.

Jerry Javasky
Senior Vice President, Investments

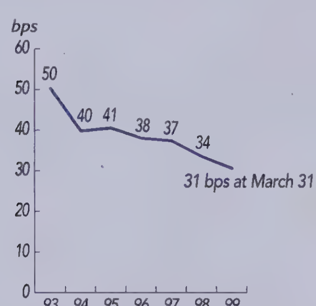
Ivy Canadian Fund performance
(percent return)



Ivy Growth & Income Fund performance
(percent return)



Fund operating expense ratio history



Note: All measurement points are as of June 30 and audited at the fund level except the end point which is at March 31, 1999 and unaudited. The Funds' fiscal year end is June 30 each year.

All of our investors continued to benefit from our focus on reducing fund expenses while improving and expanding services. Operating expense ratios of our funds continue to decline. This reflects a management focus on making our products even more attractive to investors. The operating expense ratios of Mackenzie's Canadian mutual funds have declined by almost 20 basis points since June 30, 1993.

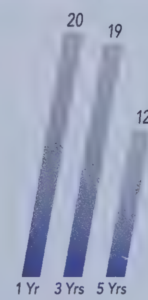
Increasingly, industry commentators are questioning the utility of mutual funds for large accounts. Large accounts generally can be diversified without using mutual funds—and properly executed this diversification can be achieved cost effectively. To counteract this criticism, we consulted with our advisor network, utilized our experience in this market in the U.S. and developed two new classes of mutual fund units for introduction in many of our funds in fiscal 2000. These classes are designed to appeal to institutional and high net worth accounts and are priced very competitively to take advantage of economies of scale. Within our families of funds, they access the broadest pool of investment management talent available to individual and institutional Canadian investors.

Most important to investors and advisors was the performance of our funds. In the one, three and five-year performance categories for the year ended March 31, 1999, we had more funds in the first two quartiles than any other Canadian competitor.

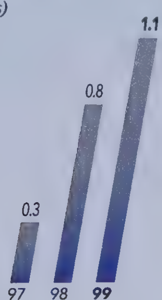
Fund assets in top two performance quartiles
(percent)

As at March 31, 1999 approximately 72% of the assets managed by Mackenzie were in the top two quartiles based upon one year performance. Outstanding performance bodes well for our future growth as sales and asset retention are more highly correlated to investment performance than any other attribute.

Number of funds in top two performance quartiles



Assets under administration—segregated funds
(in billions)



Mackenzie started its segregated fund initiative almost five years ago. Today that business exceeds $1.1 billion and we believe with continued life insurance industry alliances, including our recent joint venture with Great-West Life, that this business shows great promise for the years ahead.

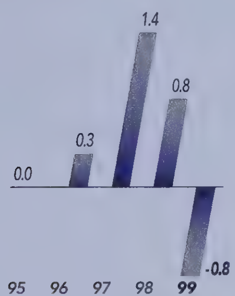
U.S. ASSET MANAGEMENT OPERATIONS

from left:
Bob Perry
Michael Landry
Bev Yanowitch
Keith Carlson
James Broadfoot
Barbara Trebbi
Bill Ferris

The U.S. Asset Management Operations are conducted through Mackenzie Investment Management Inc. ("Mackenzie Investment").

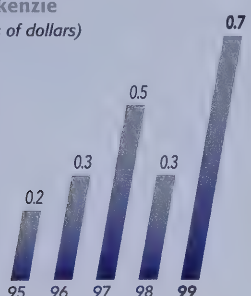
Surging U.S. domestic markets and poor Asian and Latin American markets during the past few years have presented a significant problem for Mackenzie Investment. Their strategy of selling international funds managed with a value approach to U.S. investors was a severe challenge in the face of such strong domestic market gains. International funds, as a segment of the U.S. funds industry, suffered net redemptions in the fiscal year ended March 31, 1999 and Mackenzie Investment's experience followed industry trends.

Net sales
(includes Ivy International Fund; in billions of dollars)



Net sales were also impacted by the decision in April 1997, by the sub-advisor of the flagship Ivy International Fund, to close the Fund to new investors because it had passed US$2 billion in assets.

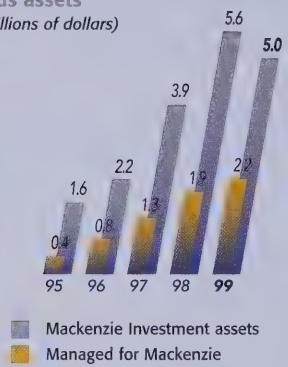
Net sales of funds managed for Mackenzie
(in billions of dollars)



Offsetting the net redemption trend was $749 million in net sales of nine Canadian mutual funds in our Universal Funds family for which Mackenzie Investment provides portfolio management service.

Relatively more attractive international funds were the target of most net inflows to mutual funds in Canada where total returns of the TSE 300 were negative, unlike the S&P 500. This trend is not likely to change as Canadian financial advisors continue to stress international diversification for their clients.

Funds assets
(in billions of dollars)



In response to the challenges presented by the past year's environment, Mackenzie Investment introduced a number of initiatives to round out its product line and provide U.S. investors with additional investment options.

In November 1998, Mackenzie Investment launched the Ivy U.S. Blue Chip Fund (to be followed by a launch of a similar product in Canada in fiscal 2000). The fund is managed by Paul Baran who, before joining Mackenzie Investment, advised a similar fund that enjoyed four- and five-star Morningstar ratings.

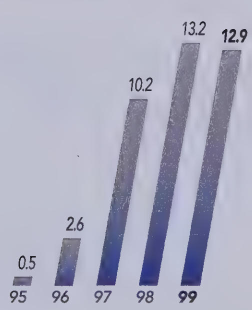
Mackenzie Investment also expanded its fixed income management capabilities by hiring Richard Gluck. Richard has over 15 years of fixed income experience specializing in global credit analysis and currency management.

International SOLUTIONS

Mackenzie Investment is working closely with five other U.S.-based money managers to bring out a third variant on the STAR and KEYSTONE asset allocation products called "International Solutions". Mackenzie Investment expects to launch the International Solutions product early in the fiscal 2000 year.

This product is designed to appeal to U.S.-based independent financial advisors looking for one product to satisfy their clients' needs for international diversification. If successful, the International Solutions concept may be brought to Canada—to accomplish similar independent financial advisor objectives for the foreign portion of RRSP accounts.

Net earnings before minority interest
(in millions of dollars)



Despite the sales and market difficulties, Mackenzie Investment's management delivered respectable earnings and earnings per share for its own investors. It also contributed $10.8 million to the Corporation's consolidated results.

Contribution to consolidated net earnings
(in millions of dollars)

Looking ahead, the broadening of Mackenzie Investment's strategy in fiscal 2000 and the investment spending to acquire managers to add depth to the sales team and to launch new products will hurt short-term earnings prospects. However, these investments bode well for this business in the years beyond as we expect they will be a foundation for a broader base of future growth.

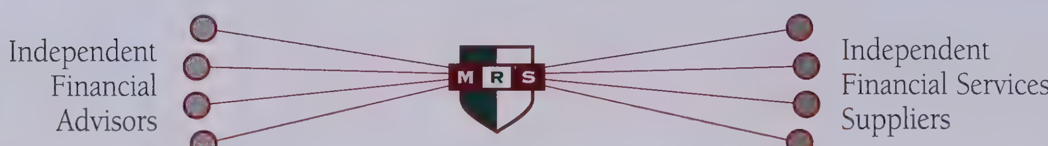
Mackenzie Investment ended the fiscal year with its balance sheet in excellent condition. Cash and short-term investment balances exceeded $70 million. In the short term, the company's depressed common share price should be attractive for prospective employees, partners, and later to investors. To broaden its U.S.-based business and money management expertise, acquisitions are an alternative that management will continue to explore.

TRUST AND ADMINISTRATIVE SERVICES

from left:
Laurie Munro
Theresa Currie
Scott Sinclair
Allan Warren
Sam London

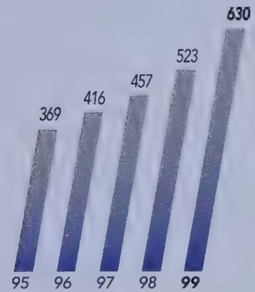
The Trust and Administrative Services are conducted through the MRS Group of Companies ("MRS")

MRS provides products and services and acts as an intermediary to efficiently link Canadian independent financial advisors with financial services suppliers.



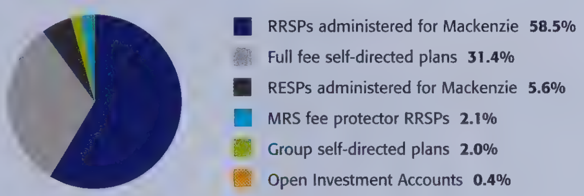
MRS provides trustee services, deposit and lending services, trade execution and settlement services and its own family of mutual funds. All products and services are marketed through independent financial advisors.

Number of registered and investment accounts
(in thousands)

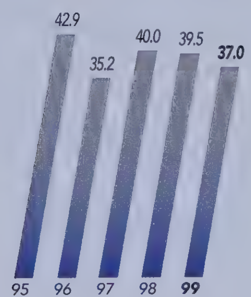


The core of MRS's business is the administration of registered plans, such as RRSPs. During the year, MRS added 107,000 net new plan accounts.

Accounts serviced



Registered account fees as a % of total revenue
(percent)



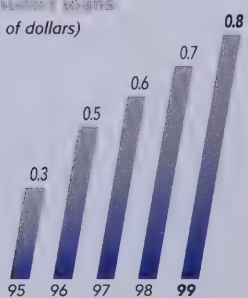
One of MRS's key objectives is to decrease its reliance on self-directed RRSP fee revenue, by expanding its lineup of products and services. Further progress was made on this objective during the past fiscal year with the launch of investment loans and the growth in mutual fund assets.

KEYSTONE In 1998, MRS launched its own mutual funds under the Keystone brand. These funds are managed by Mackenzie, but utilize the portfolio management services of several investment management companies who are already well known to Canada's independent financial advisors. The Keystone Funds are combined with several Mackenzie Funds, creating 10 separate model portfolios to optimize an investor's risk/return objectives in a long-term strategic asset allocation program.

Net sales of KEYSTONE asset allocation portfolios were $173.9 million for the year. Assets under administration in the portfolios totalled $205.8 million as at March 31, 1999.

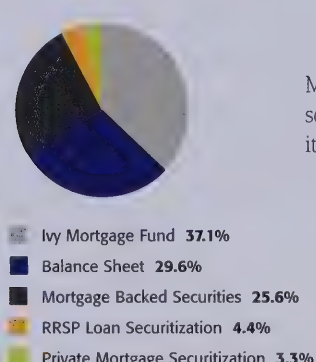
In the years ahead, MRS intends to expand this product offering and provide an increased choice of purchase options to investors.

M.R.S. Trust Company administered mortgages and consumer loans
(in billions of dollars)



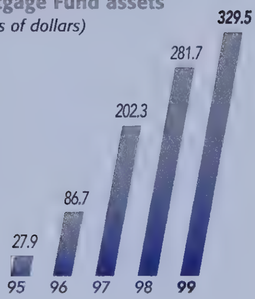
Increasingly, MRS has been expanding its loan product offerings. Without exception, these products are issued utilizing the services of licensed independent brokerage personnel. The resulting loan portfolio generally has outstanding credit and arrears characteristics relative to industry peers. A substantial portion of the mortgage portfolio is CMHC insured and investment loans and registered plan loans are only made to customers of financial advisors.

Sources of loan financing
(percent)



MRS uses its balance sheet, Ivy Mortgage Fund, mortgage-backed securities and private mortgage and loan securitizations to finance its loan and mortgage portfolio.

Ivy Mortgage Fund assets
(in millions of dollars)



M.R.S. Trust Company is the sub-advisor to Ivy Mortgage Fund. This fund invests primarily in NHA mortgages sourced from M.R.S. Trust Company's broad-based relationships with Canada's mortgage brokerage community.

One of the principal projects undertaken jointly by MRS and Mackenzie was to launch secure Interactive Voice Response ("IVR") and Internet access systems at MRS which share common security systems, hardware and software with Mackenzie's systems. By March 31, 1999, MRS's IVR system was receiving approximately 7,000 calls a month and the Internet system recorded over 1,000 advisors and their assistants using its secure functionality to open an account on-line, to inquire into an account and to receive certain reports. This functionality will continue to be expanded to offer financial advisors more control and service to compete in an increasingly electronic business.

In the year ahead, MRS will launch its Commission Referral Program on stock and bond trading. Four dealers are currently utilizing this service prior to a full rollout in the second quarter of fiscal 2000.

As well, MRS has been very successful in obtaining growth in its Quebec business and will open an office in Montreal in October, 1999.

We expect MRS to continue to expand its service and product line-up and to make an increasing contribution to the Corporation's consolidated earnings.

OBJECTIVES SCORE CARD FOR THE CORPORATION

Management has been focused on reshaping the Corporation and its subsidiaries.
A scorecard of our progress against objectives to be achieved by 2003 is provided below.

Maintain two thirds of our Canadian fund assets in the top two performance quartiles of our industry:	
• one year	Achieved – actual 72% of assets in top two performance quartiles
• three years	Achieved – actual 71% of assets in top two performance quartiles
• five years	Not achieved – actual 55% of assets in top two performance quartiles
Improve productivity measures	
• Declining fund operating expense ratios	Achieved – actual decline 3 basis points
• Improving revenue per employee	Achieved – actual increase $34,000 per employee
• Declining general and administrative and subadvisory fee expenses per dollar of revenue	Achieved – actual decline to 25% of total revenue
Establish a leadership position in serving the needs of Canada's independent advisors	Achieved – both Mackenzie and MRS are the largest businesses of their kind serving independent financial advisors in Canada
Achieve growth in Canadian fund assets under administration of over 15% per year	Not achieved – actual growth 10.6%
Maintain consolidated returns on equity in excess of 15%	Achieved – actual return on equity 22.1%
Increase our share of the Canadian mutual fund market beyond 7.5%	Achieved – actual market share 7.9%
Develop global management and distribution capability for our products	A work in progress – acquired the Cundill Funds and established a subadvisory relationship with Peter Cundill and his investment team. Launched six new international funds in Canada and the U.S.
Achieve over 10% growth in assets under administration in the U.S. market	Not achieved – actual U.S. assets declined 15%
Position our business to service and administer client needs on a global basis	A work in progress – strengthened our Internet-based dealer and investor services. We now provide fund administration and customer service from three locations in North America.

For all of these achievements, and as we strive towards our goals in the years ahead, we are reliant on and thankful for our strong relationships with our employees, with the independent dealers and financial advisors who distribute our products, and with our strategic partners.

To compete effectively in the coming years, we will continue to stress our fundamental strategies:

- providing our fund investors with superior, long-term investment performance from Canadian and international fund investments
- rewarding our own shareholders with above-average returns on their investment
- challenging our employees to constantly improve our products and services
- keeping pace with global standards by investing in world class products, services and technology, and
- fostering a culture of trust and integrity between our shareholders, our fund investors, those with whom we do business, and our own employees.

James L. Hunter
President & CEO
Mackenzie Financial Corporation
Toronto, Canada

Phil Cunningham
President & CEO
Mackenzie Financial Services Inc.
Toronto, Canada

Laurie Munro
President & CEO
MRS Group of Companies
Toronto, Canada

Michael Landry
President & CEO
Mackenzie Investment Management Inc.
Boca Raton, Florida

management's discussion & analysis

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This section of the Annual Report provides management's discussion and analysis of financial condition and results of operations of Mackenzie Financial Corporation (the "Corporation") for the years ended March 31, 1999, 1998 and 1997. This analysis should be read in conjunction with the audited consolidated financial statements of the Corporation and the accompanying notes. All amounts reported are in Canadian dollars, unless otherwise stated.

Our discussion and analysis begins at the consolidated level with a brief review of the highlights of the consolidated financial results, assets under management, return on equity and cash flow information. The remainder of the review is more detailed and focuses on our three major operating units:

- **Canadian Asset Management Operations** – the marketing and management of public mutual funds in Canada through Mackenzie Financial Services Inc. ("Mackenzie") and the management of assets for private individuals and organizations in our separate account business.

- **U.S. Asset Management Operations** – the marketing and management of public mutual funds and separate accounts in the United States through our majority owned subsidiary, Mackenzie Investment Management Inc. ("Mackenzie Investment"). Mackenzie Investment is itself a public company in Canada, with its own listing on The Toronto Stock Exchange (stock symbol MCI).

- **Trust and Administrative Services** – a broad range of financial products and services offered through M.R.S. Trust Company, Multiple Retirement Services Inc. and M.R.S. Securities Services Inc. (collectively "MRS").

Highlights of Consolidated Financial Results

Net Earnings and Earnings Per Share

In fiscal 1999, the Corporation's net earnings were $106.7 million, an increase of $30.3 million (40.0%) from $76.4 million in fiscal 1998 (1997 – $61.8 million). Earnings per share rose to $0.85 from $0.62 last year (1997 – $0.51). Fully diluted earnings per share were $0.82 as compared to $0.59 last year (1997 – $0.49). Prior years' net earnings and earnings per share have been amended to reflect the Corporation's adoption of the recommendations of the Canadian Institute of Chartered Accountants for recording and disclosing income taxes (refer to Note 3 of the financial statements).

The increase in net earnings is primarily attributable to the following elements:

- the continued growth of the Canadian Asset Management Operations, and
- a gain of $27.3 million ($0.22 per share), net of income taxes of $13.8 million, from the exchange of Midland shares for shares of Merrill Lynch effective August 26, 1998.

That increase was partially offset in fiscal 1999 by a decline in the equity in earnings of Midland, then an affiliated company, by $6.6 million ($0.05 per share) to $0.6 million from $7.2 million in fiscal 1998 (1997 – $7.0 million). The decline was a result of lower earnings reported by Midland and the share exchange referred to above in the middle of our fiscal year.

Revenues

Consolidated revenues increased by $151.0 million (28.2%) to $687.0 million from $536.0 million in fiscal 1998 (1997 – $389.8 million). Fiscal 1999 revenues included a gain on marketable securities of $41.1 million resulting from the exchange of the Corporation's investment in Midland shares for Merrill Lynch shares. The remaining increase in revenues is primarily attributable to higher management fee revenue reported by the Canadian Asset Management Operations, a result of the growth in mutual fund assets under management (Table 1).

Table 1 – **Assets under management**

(in millions of dollars)

As at March 31	1999	% Change	1998	% Change	1997
Canadian mutual funds	$ 26,871	10.6	$ 24,290	40.9	$ 17,240
Private and institutional accounts	1,553	3.9	1,494	53.4	974
U.S. mutual funds	5,027	(9.4)	5,550	40.9	3,938
	$ 33,451	6.8	$ 31,334	41.4	$ 22,152

The largest growth component of the Corporation's revenue was management and administration fees, which increased by $86.9 million to $548.8 million for fiscal 1999 from $461.9 million last year (1997 – $330.9 million). Management and administration fee revenue accounted for 79.9% of consolidated revenues as compared to 86.2% last year (1997 – 84.9%). If the gain on the exchange of Midland shares for Merrill Lynch shares is excluded, the management and administrative fees reported for fiscal 1999 represent 85.0% of consolidated revenue (Table 2).

Table 2 – **Source of management and administration fees**

(in millions of dollars)

Year ended March 31	1999	Change	1998	Change	1997
Canadian mutual funds	$ 465.1	$ 81.9	$ 383.2	$ 107.6	$ 275.6
Private and institutional accounts	4.6	1.4	3.1	0.1	3.1
U.S. mutual funds	50.8	4.2	46.7	21.7	24.9
Trust and administrative services	28.3	(0.6)	28.9	1.6	27.3
	$ 548.8	$ 86.9	$ 461.9	$ 131.0	$ 330.9

Expenses

Consolidated expenses were $490.1 million, an increase of $91.1 million (22.8%) from $399.0 million for the previous year (1997 – $294.4 million). Key contributors to the increase in expenses were:

- increased general and administrative expenses due to higher personnel costs and the costs of ongoing systems enhancements
- larger payments to dealers for trail commissions and to sub-advisors for investment advisory fees, a result of the growth in mutual fund assets under administration, and
- higher amortization of deferred selling commissions due to increased sales of mutual fund units on a deferred sales charge basis, and the funding of the selling commission payments for those sales internally.

Return on Equity

The return on average shareholders' equity was 22.1% as compared to 19.9% last year and 19.6% for fiscal 1997. The higher return on equity for the current year was largely attributable to the gain on the exchange of Midland shares for Merrill Lynch shares.

Cash Flow and Cash Flow Per Share

The Corporation reported $288.0 million ($2.28 per share) in cash flow from operating activities before the payment of selling commissions and changes in non-cash balances related to operations, an increase from $254.0 million ($2.05 per share) for the previous year (fiscal 1997 – $168.2 million, $1.39 per share). Fully diluted cash flow was $2.15 per share as compared to $1.94 per share last year (fiscal 1997 – $1.31 per share).

In the fourth quarter, Mackenzie Investment sold a portion of its deferred selling commissions asset to a third party purchaser for net proceeds of $31.4 million. This transaction negatively impacted cash flow per share from operating activities by approximately $12.0 million ($0.10 per share) due to the related reclassification of income taxes from deferred to current taxes payable. The net proceeds from the sale are reported as cash flow from financing activities.

Canadian Asset Management Operations

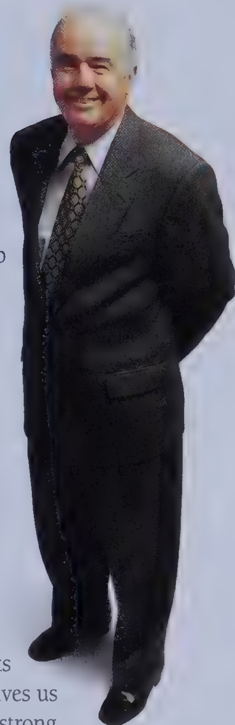
Condensed Supplementary Financial Statements of the Canadian Asset Management Operations are provided in Tables 4 and 5.

Mackenzie's largest business activity is the management of mutual funds in Canada. As of March 31, 1999, Mackenzie provided—directly or under contract—investment management, marketing or administrative services for 55 mutual funds offered to Canadian investors through the Cundill, Industrial, Ivy and Universal fund families and the STAR and KEYSTONE asset allocation programs. Combined assets in these funds totalled $26.9 billion and represented 80.3% of a consolidated managed asset base of $33.5 billion including our U.S. operations (1998 – $31.3 billion; 1997 – $22.2 billion). The Mackenzie share of total Canadian mutual fund assets, as reported by the Investment Funds Institute of Canada, increased to 7.9% from 7.5% as at March 31, 1998 (1997 – 7.4%).

Business Activities

Our Canadian Asset Management Operations comprise four principal competencies:

- **Investment management** – performing portfolio investment and asset allocation services for our mutual funds and private and institutional accounts.
- **Product development** – assuring a range of high quality, innovative investment products which meet the needs of individual investors.
- **Distribution services** – promoting the sale of the funds' securities to the public through independent financial advisors.
- **Administrative services** – providing transfer agency, fund and trust accounting, financial reporting and regulatory compliance for our mutual funds and private and institutional accounts.



Neil Lovatt
Chief Investment Officer

Investment Management

The importance of performance

Superior investment results, which build assets through market appreciation and help to attract new investment dollars, are a critical factor in generating long-term growth in assets under administration. As of March 31, 1999—in excess of 70% of our fund assets ranked in the top two performance quartiles.

Given the turbulent markets of fiscal 1999, fund performance lagged that of the previous year. Market performance reduced the growth in Canadian mutual fund assets by $0.7 billion as compared to an increase of $3.4 billion for the year ended March 31, 1998 (1997– $1.6 billion). New fund sales decreased by $0.4 billion to $6.8 billion from $7.2 billion in fiscal 1998 (1997– $5.3 billion). The acquisition of Cundill Funds added $0.4 billion to Canadian mutual fund assets.

During fiscal 1999, Mackenzie funds and managers won many awards and recommendations from industry associations, rating organizations, and industry analysts and commentators. We believe that our diverse and highly respected fund line-up gives us a significant advantage over many other participants in the marketplace. Continued strong fund performance and expansion of the investment management team remain a key strategy to assure an ongoing competitive advantage.

An expanding investment management team

Mackenzie's current line-up of mutual funds offers Canadian investors one of the broadest ranges of investments, incorporating a choice of asset classes, countries or regions, currencies, and investment management styles.

An experienced portfolio manager, supported by research analysts and technology, directs each of our funds. Working individually or in teams, these managers consistently apply investment approaches best suited to the mandate of the fund, as no single style is appropriate for all markets, at all times.

Mackenzie has engaged prominent domestic and international sub-advisors as partners to provide investment management services in specific geographic areas or market segments for 19 of the funds in the Universal Funds family. Mackenzie Investment is the principal sub-advisor, providing investment management to all or a portion of nine funds with over $2.2 billion of Canadian fund assets.

Together with the other sub-advisors, Bluewater Investment Management Inc., Cursitor-Eaton Asset Management Company, Henderson Investors Limited and Thornton Investment Advisors Limited, and the parent companies of these advisors, Mackenzie is involved with organizations employing 600 investment professionals and directing $750 billion in assets globally.

Private and Institutional Accounts

In addition to our mutual funds, Mackenzie also provides investment management services to 32 private and institutional accounts. Assets in these accounts increased to $1.6 billion from $1.5 billion as at March 31, 1998 (1997: $1.0 billion). Management fee rates for private and institutional accounts are lower than those for mutual funds, yet remain profitable because the services are provided by in-house investment management teams that also have fund responsibilities, and incur only limited marketing expenses with no commission financing costs.

Over the past two years, Mackenzie has been successful in attracting a number of new accounts from the insurance sector for the management of segregated fund products and will continue to pursue further growth in this area.

Product Development

Many answers for investors

The ability to provide more than one right answer for investors is a key to attracting and retaining assets. With this in mind, Mackenzie offers an unsurpassed diversity of mutual funds in the Cundill, Industrial, Ivy, Keystone and Universal fund families, along with the STAR and KEYSTONE asset allocation programs. Based on their current asset size, each of the Industrial, Ivy, and Universal families would rank in the top 20 fund companies in Canada on a stand-alone basis.

Packaging Mackenzie's management and administrative expertise in new ways has enabled us to assist independent financial advisors to take greater advantage of many niche market opportunities, including Group RRSPs and RESPs. Within the past 12 months, significant new product introductions, each based on our core investment management capability, have included Universal Select Managers Fund, highlighted earlier, Mackenzie segregated funds in partnership with Great-West Life, multi-class shares and a private trust capability for high net worth investors.

Universal RSP Select Managers Fund and Ivy RSP Foreign Equity Fund—the first of a series of actively managed, fully RRSP-eligible, international funds—have been particularly well-received by financial advisors and investors. Launched in May 1999, these unique products attracted more than $100 million in new assets within a month. Just as importantly, more than $100 million has been transferred into the new funds from other Mackenzie funds, as RRSP and RRIF investors moved to take advantage of the greater diversification and growth potential of foreign investing.

Importance of Cundill Acquisition

The Cundill Funds, acquired in September 1998, represent an important addition to Mackenzie's fund line-up—bringing another distinctive management style, a proven record of performance, and a brand name known and respected by financial advisors. The four Cundill Funds specialize in finding undervalued assets all over the world using a rigorous screening process. Sales of the Cundill Funds have grown consistently since the acquisition as part of a co-ordinated marketing effort. As of March 31, 1999, assets under management in the funds totalled $359 million.

Asset allocation strategies

The STAR and KEYSTONE asset allocation programs offer Canadian investors the choice of 27 portfolios, each combining seven funds with different asset classes, management styles and geographic focus. Each portfolio is designed to provide consistent performance at a suitable level of risk. From its launch in January 1995, STAR has attracted close to $3.0 billion in assets. The KEYSTONE program started in January 1998, and had $206 million in assets as of March 31, 1999.

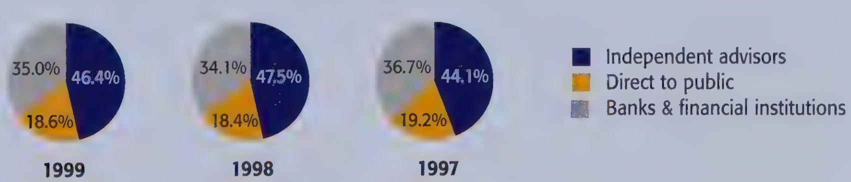
Our experience in asset allocation programs, based on the relationship with Garmaise Investment Technologies Inc., enables us to develop future generations of these programs for use in segregated funds and high net worth programs.

Distribution Services

Independent dealers key distribution channel

More than 30,000 independent financial advisors in approximately 400 dealer firms represent Mackenzie's largest distribution channel. The prime thrust of our marketing programs remains supporting these professionals in providing quality investment advice and service to fund investors. Contrary to the "day-trading" approach frequently reported on, quantitative research and qualitative evidence indicate that investors' need for advice is increasing, particularly as their assets expand through growth or inheritance and in periods of lower market growth and higher volatility. Reflecting this, the market share of financial advisors has been resilient in a rapidly changing landscape.

Mutual fund industry – assets under management by distribution channel
As at March 31,



Our programs, aimed at increasing awareness and knowledge among financial advisors, employ two basic methods:

- providing up-to-date information about Mackenzie-managed funds, in person through our highly qualified internal sales force—or via mail, Internet sites, and interactive voice response
- delivering ongoing education programs, including "Mackenzie University", a very well received educational initiative. Two additional semesters were provided during the year. In addition, an on-line version of Mackenzie University has been developed. Both programs earn participants continuing education credits from two industry associations, The Canadian Association of Financial Planners and the Canadian Association of Independent Financial Advisors.

Distribution channels are converging

The trend toward overlap between channels of distribution continues. Increasingly, financial advisors are licensed to provide access to stock and bond securities and insurance as well as mutual funds. At the same time, traditional no-load, no-advice channels such as discount brokers or bank branches, are beginning to offer a wider range of products and services, including programs based on asset allocation utilizing mutual funds provided by Mackenzie and other companies as a means of retaining assets. In general, investors in these programs initially tend to have lower net worth and varying needs for advice. However, on the strength of their investment success, many graduate to become full-service clients served by other segments of the institution which offer advice and more comprehensive service—or by independent financial advisors.

While newer channels, including discount brokers and Internet-based firms, are growing more rapidly from a much smaller base, we expect the independent advice channel to continue to represent the largest source of growth in assets under administration. We will continue to focus most of our marketing efforts on providing this key distribution channel with the most complete range of products and services possible to enable them to meet investors' needs and to compete effectively.

Brand: a key market factor

Brand is an increasingly important factor. We believe a superior brand is the result of:

- more choice of better designed products and services which meet the needs of investors
- higher levels of service, both personal and automated, from Mackenzie and financial advisors
- broad distribution to assure ease and convenience of finding Mackenzie-managed funds, and
- strong awareness, the result of targeted communication to the Canadian households that own or will likely purchase funds.

All of this demands knowledgeable, motivated people in all areas of the Corporation, supported by the right technology.

Administrative Services

Throughout our administrative operations, we continue to implement changes to launch new products, to improve service levels and to expand hours of availability in a cost-effective manner. This year, our investor transaction volumes increased 40% over last. Our customer service staff responded to just under 1,000,000 calls, while our 24-hour interactive voice response service, Mackenzie Access Line, fielded 420,000 enquiries. As of year-end, our two Internet sites were averaging 1,600 visits daily, with the prospect of significant increase as we launch our secure Mackenzie Access Net inquiry service to our distributors. The recent Canada Education Savings Grant introduced by Ottawa led to unparalleled popularity of our Mackenzie RESP, where our accounts grew from 2,500 to over 35,000.

Against this backdrop of unprecedented product innovation and volume growth, we continue to improve and extend our product and service offerings. New RSP-eligible funds, segregated funds, multi-class fund share structures, better imaging and workflow for dealer initiated paper-based transactions, RESP process improvements—all these and more are targeted for introduction or upgrade in the coming year. At Mackenzie we are committed to delivering exemplary service to the most complex and innovative product line in the mutual fund industry.

Financial Results

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Canadian Asset Management Operations remain the Corporation's major source of revenue, with management fees charged to the funds ranging from 0.5% to 2.0% per year, depending on the type of assets held by each fund. Some additional operating expenses incurred in the operation of the funds are reimbursed and reported as a reduction of the related expenses. Mackenzie also earns administrative revenue from its STAR and KEYSTONE strategic asset allocation programs. At 68.4% of consolidated revenue (1998 – 72.1%; 1997 – 71.5%), management and administration fees from Canadian Asset Management Operations represented the largest revenue component and most significant growth area. The percentage decline was attributable to the inclusion in total revenue of the $41.1 million gain from the exchange of Midland shares for Merrill Lynch shares.

Revenue increased by $142.2 million to $557.3 million for the year ended March 31, 1999 from $415.1 million for the previous year (1997 – $305.7 million). Revenue generated from external sources by the Canadian Asset Management Operations represents 81.1% of consolidated revenue as compared to 77.3% last year (1997 – 77.9%).

Management and administration fees, which include fees charged to the mutual funds and investment advisory fees charged to private and institutional accounts, increased by $83.4 million to $469.7 million in fiscal 1999 from $386.3 million for the previous year (1997 – $278.6 million) as indicated in Table 4. Mutual fund and private and institutional assets under management increased to $28.4 billion (10.2%) from $25.8 billion as at March 31, 1998 (1997 – $18.2 billion) as detailed in Table 3.

The growth in assets under management attributable to net sales and market performance was $2.2 billion in fiscal 1999 as compared to $7.1 billion in the previous year (fiscal 1997 – $4.4 billion) as reported in Table 3. Net sales of mutual fund units declined 20% to $2.9 billion for the year as compared to $3.6 billion for the previous year (fiscal 1997 – $2.8 billion). The 20% decline in Mackenzie's net sales compares to a 39% decline for the total industry as reported by the Investment Funds Institute of Canada. Negative market performance reported for the year was $0.7 billion, a decline of $4.1 billion from the $3.4 billion in market appreciation reported last year (fiscal 1997 – $1.6 billion). The decline in market performance was primarily attributable to the lackluster performance in the Canadian, the Pacific Rim and other economies.

Table 3 – Growth in Canadian assets under management

(in millions of dollars)

Year ended March 31	1999	% Change	1998	% Change	1997
Canadian mutual funds					
Opening assets	$ 24,290	40.9	$ 17,240	34.3	$ 12,836
Assets acquired – Cundill Funds	365		–		–
Gross sales	6,774	(5.7)	7,180	36.4	5,263
Redemptions	(3,867)	9.0	(3,547)	43.9	(2,465)
Net sales	2,907	(20.0)	3,633	29.8	2,798
Market appreciation (decline)	(691)	(120.2)	3,417	112.8	1,606
Closing assets	26,871	10.6	24,290	40.9	17,240
Private and institutional assets	1,553	3.9	1,494	53.4	974
Total	$ 28,424	10.2	$ 25,784	41.6	$ 18,214

Distribution revenue, which includes redemption fees earned on units of mutual funds sold on a deferred sales charge basis and revenue from Mackenzie's direct investment in Mackenzie Master Limited Partnership and its predecessors, increased by $9.4 million to $34.0 million for the year ended March 31, 1999 from $24.6 million for the previous year (1997 – $16.6 million). The continuing growth in assets sold on a deferred sales charge basis combined with the internal funding of the payment of selling commissions were the key contributors to the increase.

On June 22, 1998 Mackenzie signed a support agreement with Merrill Lynch Inc. and certain Canadian affiliates (collectively "Merrill Lynch") to support Merrill Lynch's acquisition of all the outstanding shares of Midland. Effective August 26, 1998 the Corporation exchanged its shares in Midland for shares of Merrill Lynch. The $41.1 million gain resulting from the exchange of shares is reported as a *gain on marketable securities*.

Interest and dividends increased by $8.5 million to $10.9 million in fiscal 1999 from $2.4 million in the previous year (1997 – $5.9 million). Early in the year Mackenzie completed an initial public offering of 8.1 million Preferred A Units of Mackenzie Income Trust (the "Trust") for net proceeds of $195.1 million. The net proceeds combined with cash flow from operating activities and the reduced payment of selling commissions increased cash and short-term investments to $167.8 million as at March 31, 1999 from an overdraft of $2.6 million as at March 31, 1998. Increased interest income from the growth in cash and short-term investments combined with $1.2 million in dividend income from the Merrill Lynch shares accounted for the year-over-year increase in interest and dividends income.

Expenses increased by $83.7 million (27.5%) to $388.3 million for the year from $304.6 million for last year (fiscal 1997 – $225.3 million).

General and administrative expenses increased by $14.5 million (24.3%) to $73.8 million for the year ended March 31, 1999 from $59.3 million for the previous year (fiscal 1997 – $50.7 million). This increase is primarily due to higher personnel costs as required to support the growth in the overall operations, increased marketing expenditures for the development and launch of new products and to support the general increase in Mackenzie's mutual fund business and higher computer related expenditures as required to enhance the overall efficiency of the back office processing operations.

Trail commissions to dealers increased by $22.3 million (27.5%) to $103.2 million from $80.9 million last year (1997 – $54.9 million) due to the growth in average mutual fund assets under administration during the year as compared to previous years.

Sub-advisor fees, which include amounts paid to affiliated companies as well as third parties, increased by $4.9 million to $22.6 million from $17.7 million for the previous year (fiscal 1997 – $13.0 million). Sub-advisor fees for the current year include $11.5 million paid to third parties as compared to $8.2 million last year (1997 – $6.6 million). The growth in assets of existing mutual funds and the launch of new mutual funds for which third parties provide sub-advisory services accounted for the increase.

Interest expense increased by $9.7 million to $19.0 million from $9.3 million for the previous year (1997 – $9.7 million). The Trust distributes quarterly to each Preferred A Unitholder a cumulative preferential share of the Trust's distributable cash flow. The expense component of this preferential distribution, in the amount of $10.4 million, is included in interest expense.

Amortization of deferred selling commissions increased by $36.4 million (37.4%) to $133.4 million for the current year from $97.0 million last year (fiscal 1997 – $58.1 million). Continued year-over-year growth in assets sold on a deferred sales charge basis combined with higher redemption fee revenue and the financing of the selling commissions paid, utilizing cash flow from operations and debt financings, accounted for the increase. As at March 31, 1999, 87.3% of Mackenzie's mutual fund assets were distributed on a deferred sales charge basis as compared to 85.7% at the previous year-end (1997 – 83.1%). Mackenzie accelerates the amortization of deferred selling commissions to the extent of redemption fee revenue received.

Net earnings increased to $92.3 million from $62.4 million last year (1997 – $49.5 million). The increase in net earnings is primarily attributable to the $27.3 million gain, net of income taxes of $13.8 million, resulting from the exchange of Mackenzie's investment in Midland shares for Merrill Lynch shares. Included in the current year's net earnings was $0.6 million attributable to the equity in Midland earnings up to the date of the share exchange, a decline of $6.6 million from the $7.2 million reported last year (1997 – $7.0 million). Fiscal 1997 included a $3.1 million dilution gain arising from the public offering of two million common shares (post split) of Mackenzie Investment.

Table 4 – **Condensed statements of earnings**

(in millions of dollars)

	1999	1998	1997
Revenues			
Management and administration fees	$ 469.7	$ 386.3	$ 278.6
Distribution revenue	34.0	24.6	16.6
Gain on marketable securities	42.6	0.8	2.5
Interest and dividends	10.9	2.4	5.9
Inter-segment revenues	0.1	1.0	2.1
Total revenue	557.3	415.1	305.7
Expenses			
General and administrative	73.8	59.3	50.7
Trail commissions	103.2	80.9	54.9
Sub-advisor fees	22.6	17.7	13.0
Interest expense	19.0	9.3	9.7
Amortization of deferred selling commissions	133.4	97.0	58.1
Other	36.3	40.4	38.9
Total expenses	388.3	304.6	225.3
Net earnings before income taxes	169.0	110.5	80.4
Provision for income taxes	(76.8)	(54.7)	(40.9)
Equity in earnings of affiliated company	0.6	7.2	6.9
Other	(0.5)	(0.6)	3.1
Net earnings	$ 92.3	$ 62.4	$ 49.5

Financial Position

The net proceeds of the offering of Preferred A Units of the Trust, combined with cash flow from operating activities and the reduced payment of selling commissions attributable to lower sales of mutual fund units, increased *cash and short-term investments* to $167.8 million as at March 31, 1999 from an overdraft of $2.6 million as at March 31, 1998. As at March 31, 1999 the unpaid principal relating to the Preferred A Units was $164.1 million.

As a result of the Merrill Lynch share exchange transaction, Mackenzie's investment in Merrill Lynch shares, in the amount of $118.9 million, was reclassified to *marketable securities* from *investment in affiliated company*. Up to the date of the share exchange, Mackenzie had accounted for its investment in Midland using the equity basis of accounting.

Effective March 15, 1999 Mackenzie repaid the Series 1, *Senior Debentures* in the amount of $50.0 million. The remaining Series 2, Senior Debentures in the amount of $50.0 million are repayable on March 15, 2001.

During the year Mackenzie paid $220.0 million, (1998 – $236.5 million) in *deferred selling commissions* and recorded amortization of $133.4 million (1998 – $97.0 million). Redemption fees are payable by mutual fund unitholders if mutual fund units acquired on a deferred sales charge basis are redeemed within a specified period. Mackenzie has estimated that its entitlement to such redemption fees, net of the 10% permitted free redemptions, would have amounted to $780.3 million as at March 31, 1999 (1998 – $694.0 million).

Deferred income taxes increased to $258.6 million from $190.8 million due primarily to the deduction of selling commissions for income tax purposes in the year of payment. For accounting purposes the deduction of selling commissions is deferred and amortized in the statements of earnings and retained earnings.

Table 5 – Selected balance sheet accounts

(in millions of dollars)

As at March 31	**1999**	**1998**
Assets		
Cash and short-term investments	$ 167.8	$ (2.6)
Marketable securities	158.8	58.0
Deferred selling commissions	567.0	479.9
Investment in affiliated company	–	77.6
Liabilities		
Senior debentures	$ 50.0	$ 100.0
Preferred A Units	164.1	–
Deferred income taxes	258.6	190.8

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Outlook

Dealing with change and opportunity

Looking ahead, market factors have created four major themes which are weighted heavily in our marketing plans.

Performance expectations could lead to changes in demand

Lower equity market returns could slow growth in asset accumulation over the short term. From a mid-to-longer-term perspective, however, we believe Mackenzie would be well positioned to gain market share under this scenario. We have a wider choice of defensive funds and asset allocation programs for new and existing investors. Investment advisors would likely concentrate their efforts on behalf of the best known and best established mutual fund providers. Both Mackenzie and MRS continue to market and develop an increasing variety of substitute investment management products, wrap accounts, and GICs.

Competition is increasing

Three developments—the arrival in Canada of more U.S. mutual fund companies, the demutualization of the Canadian life insurance industry, and the collapse of planned major Canadian bank mergers—have increased competitiveness in the Canadian wealth management marketplace. These developments also bring new distribution and product opportunities. Building on our strong market presence, integration of business units and scale of operations, as well as the trust created by our long-term working relationships with financial advisors, we are continuing to develop innovative, superior product offerings, reduced cost structures, and delivery mechanisms that will assure further vibrant growth—not just survival—in the years to come.

Distribution channels are being consolidated and vertically integrated

A number of factors, from regulatory change to increased needs for capital and technology, have created pressure for consolidation within our core mutual fund distribution channel. In turn, this has been accompanied by more "in-house" mutual funds, as some distributors vertically integrate into the "manufacturing" side of the industry. Despite this trend, the number of firms and advisors working independently on behalf of Mackenzie is growing, as insurance companies and other new, major players enter into mutual fund distribution and as a result of expansion by discount brokers and Internet services which have embraced our products. We also anticipate that investor demand for independent advice and investment products will expand in Canada as it has in the U.S. where fee-for-service advisors are enjoying significant growth.

Overall, as the market enters a more mature phase, it is becoming more segmented:

- by the type of advice demanded by investors and the distribution channel best able to provide it
- by investor needs and portfolio size, creating needs for Mackenzie products and services ranging from all-in-one balanced funds to specialized asset management for third-party wrap accounts
- by account structure or investment goal, in categories such as RRSP, RESP, group plans, investment accounts and more.

Ultimately, we believe that this market segmentation will lead to change in the structure of pricing. The traditional Canadian approach, in which fees are typically bundled together, has served investors well. However, some segments of the market, including those driven by fee-for-service and asset-based advice fees, are requesting an unbundling similar to that offered in the United States. Fourteen years of experience in the United States has equipped us well to respond to these requests.

U.S. Asset Management Operations

Condensed Supplementary Financial Statements of the U.S. Asset Management Operations are provided in Tables 7 and 8.

The Corporation holds an 83% interest in Mackenzie Investment, a public company listed on The Toronto Stock Exchange (stock symbol MCI). Mackenzie Investment publishes a more detailed discussion and analysis of its financial condition and results of operations in its Annual Report.

Business Activities

Mackenzie Investment's principal business activities are carried on solely in the United States and include:

- managing 19 public mutual funds (the "Funds")
- selling redeemable shares of the Funds in the U.S. through various distribution channels, including broker/dealers, financial planners and registered investment advisors and to institutional investors, such as retirement plans
- providing transfer agent, administrative and fund accounting services to the Funds, and
- providing investment advisory services to the Funds and sub-advisory services to nine Universal Funds managed by Mackenzie and sold only in Canada.

Mackenzie Investment has positioned itself as a niche company offering mutual funds with an emphasis on international and U.S. emerging growth investing. The asset classification as a percentage of total U.S. assets under management as of March 31, 1999 is 79% in twelve international equity funds; 16% in four U.S. equity funds; and 5% in two taxable fixed income funds.

In contrast to the strength of U.S. domestic investment performance, foreign markets have relatively underperformed and U.S. investors have been net sellers of foreign funds. Mutual fund assets under management as at March 31, 1999 declined by US$587 million to US$3.3 billion from US$3.9 billion as at March 31, 1998 (1997 – US$2.8 billion) as detailed in Table 6. Ivy International Fund (IIF), which was closed to new investors in April 1997 at the request of the portfolio advisor, represented 71.5% of mutual fund assets under management as at March 31, 1999 as compared to 73.5% of mutual fund assets as at March 31, 1998 (1997 – 69.2%). The net asset value of IIF declined to US$2.4 billion as at March 31, 1999 from US$2.9 billion as at March 31, 1998 (1997 – US$2.0 billion).

Table 6 – U.S. mutual fund assets

(in millions of U.S. dollars)

Years ended March 31	**1999**	**1998**	**1997**
Opening assets	$ 3,918	$ 2,845	$ 1,577
Gross sales	518	1,201	1,401
Redemptions	(1,041)	(591)	(339)
Net sales (redemptions)	(523)	610	1,062
Market appreciation (decline)	(64)	463	206
Closing assets	$ 3,331	$ 3,918	$ 2,845

Net redemptions for the year were US$523 million, of which US$448 million related to IIF, as compared to net sales of US$610 million last year, of which US$497 million pertained to IIF. IIF accounted for all but US$14 million of the fiscal 1997 net sales. It is anticipated that because IIF is closed to new investors it will continue to experience net redemptions.

Mackenzie Investment has undertaken key initiatives to launch new funds such as Ivy International Fund II, Ivy U.S. Blue Chip Fund, Ivy International Small Companies Fund, Ivy European Opportunities Fund, and Ivy International Bond Fund as substitute investment products for IIF and to increase the diversity of product available to investors. In addition, in July 1999 Mackenzie Investment introduced a new product line, International Solutions, which is an asset allocation program consisting of five separate investment portfolios containing funds managed by Mackenzie Investment and by many of the recognized names in international investing.

Financial Results

Revenue for the year increased by $7.5 million (9.3%) to $88.8 million from $81.3 million (1997 – $42.8 million). Mackenzie Investment derives its revenue primarily from ongoing management fees and sub-advisory fees calculated as a percentage of average daily net assets under management. The level of assets under management is affected by gross sales, redemptions and changes in the market value of the mutual funds' portfolios of investments as detailed in Table 6.

Management and administration fees for the year were $59.8 million, an increase of $5.3 million from $54.5 million for the previous year (1997 – $30.3 million). Included in management and administrative fees for the current year was $9.0 million for inter-segment sub-advisory services provided to Mackenzie-managed mutual funds as compared to $7.8 million for fiscal 1998 (1994 – $5.4 million). Higher average mutual fund assets under management as compared to the previous year and the growth in Canadian mutual fund assets managed by Mackenzie, for which Mackenzie Investment is sub-advisor, account for the increase.

Distribution revenue increased by $2.6 million to $26.9 million for the year ended March 31, 1999 from $24.3 million for the previous year (1997 – $11.7 million). Higher redemptions of mutual fund shares sold on a deferred sales charge basis accounted for the increase. Redemption fees are payable by mutual fund shareholders if mutual fund units, acquired on a deferred sales charge basis, are redeemed within a specified period.

Expenses increased by $8.5 million (14.5%) to $68.2 million from $59.7 million for the previous year (1997 – $32.6 million).

General and administrative expenses increased to $19.9 million from $16.5 million (1997 – $12.4 million) due primarily to increases in:

- reimbursements to the Funds for expenses, which would otherwise be absorbed by the Funds
- amortization of fund organization costs resulting from the adoption of SOP 98-5, Reporting on the Costs of Start-Up Activities, and
- payments for additional office space.

SOP 98-5 requires management companies to absorb certain mutual fund start-up costs which were previously charged to the funds.

Trail commissions to dealers increased to $13.6 million for the year ended March 31, 1999 from $10.0 million last year (1997 – $5.0 million) due to the year-over-year increase in the Funds' average assets and the growth in Class C shares which are subject to trail fees once the units have been outstanding for more than a year.

Sub-advisor fees increased to $22.3 million from $20.6 million for the previous year (1997 – $9.5 million) due to the year-over-year growth in average assets of Ivy International Fund for which sub-advisory services are provided by an unrelated third party.

Net earnings for fiscal 1999 were $12.9 million, before minority interest, as compared to $13.2 million last year (1997 – $10.2 million). Declining mutual fund sales and assets under management accounted for the decline in net earnings. Fiscal 1997 net earnings were not reduced by a provision for income taxes since the losses carry forward from prior years, arising from other than timing differences, exceeded taxable income for that year.

Table 7 – **Consolidated statements of earnings**

(in millions of dollars)

	1999	1998	1997
Revenue			
Management and administration fees			
Third parties	$ 50.8	$ 46.7	$ 24.9
Inter-segment – Mackenzie	9.0	7.8	5.4
	59.8	54.5	30.3
Distribution revenue	26.9	24.3	11.7
Other	2.1	2.5	0.8
Total revenue	88.8	81.3	42.8
Expenses			
General and administrative	19.9	16.5	12.4
Trail commissions to dealers	13.6	10.0	5.0
Sub-advisor fees	22.3	20.6	9.5
Amortization of deferred selling commissions	9.3	9.9	3.8
Other	3.1	2.7	1.9
Total expenses	68.2	59.7	32.6
Earnings before provision for income taxes	20.6	21.6	10.2
Provision for income taxes	7.7	8.4	–
Net earnings	$ 12.9	$ 13.2	$ 10.2

Financial Position

Cash and short-term investments increased by $47.3 million to $77.0 million as at March 31, 1999 from $29.7 million as at March 31, 1998. In March 1999, Mackenzie Investment sold a portion of its deferred selling commissions asset to an unrelated third party for $31.4 million, net of expenses. The remaining increase in cash and short-term investments is attributable to cash flow from operations.

Deferred selling commissions declined by $32.6 million during the year to $2.7 million from $35.3 million, as at March 31, 1998. The sale of the deferred selling commission asset, referred to above, accounted for $31.4 million of the decline with the balance attributable to amortization during the year.

Income taxes payable increased by $13.9 million of which $12.0 million of the increase relates to the sale of the deferred selling commissions asset. The recapture of selling commissions, previously deducted for tax purposes, accounted for the increase in taxable income.

Table 8 – Selected balance sheet accounts

(in millions of dollars)

As at March 31	**1999**	**1998**
Assets		
Cash and short-term investments	$ 77.0	$ 29.7
Deferred selling commissions	2.7	35.3
Liabilities		
Bank Loan	$ –	$ 9.6
Income taxes payable	13.9	–
Deferred income taxes	1.5	8.2

The decline in the Canadian dollar compared to the U.S. dollar during the fiscal year as compared to the previous year has produced year-over-year variances which exceed those reported by Mackenzie Investment in its Annual Report which is prepared in U.S. dollars.

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Outlook

Mackenzie Investment's proven strengths are twofold: money management and the development of reseller relationships with broker/dealers, financial planners, financial supermarkets and other intermediaries. These two strengths are closely related. As a highly focused niche specialist, Mackenzie Investment is particularly attractive to the resellers which are key to our sales growth.

The strategy we are presenting to investment firms that sell our funds is focused. U.S. large-cap stocks, which have performed so well in recent years, are not always going to lead the market. At some point, sooner than later, our niche products—international investments and small-cap U.S. stocks, which have largely been out of favour for the past few years—will enjoy stronger performance and greater investor interest. When that day arrives, we want to be well positioned to capture more than our fair share of industry sales.

We believe that day is close at hand. Today, international markets provide much better value for American investors. Our research tells us that on most fundamental analytical ratios, foreign stock markets are trading at significant discounts to the U.S. While the U.S. is relatively advanced in its current prosperous cycle, much of the world is just beginning to re-emerge from severe corrections in their economies and financial markets. The recovery in these markets is already being reflected as stock prices have risen sharply over the past six to nine months. As well, looking longer term, valuations in Europe are also more compelling since they are much earlier in the restructuring process than in the U.S.

U.S. small-cap growth stocks is the other sector in which we have built a strong brand among our distributors. These companies have been out of favour for some time and now are selling at relatively low levels. Their relative cheapness is in no way a reflection on their health and earnings potential. Ultimately, as in the case of international investing, the cycle will turn and investors will once again look for mutual funds that concentrate in this sector.

We have a strong investment and administrative platform in place to manage substantial additional assets from both our own distribution in the U.S. as well as the money we manage for Mackenzie. As a result, we have a great deal of operating leverage, since to a large extent the new money that we manage incurs a small incremental cost.

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Investing in growth

With approximately $77 million in cash and short-term investments available for expansion of operations, in the short-term we believe that we are better served by focusing our attention on fostering growth of our business internally rather than persuing acquisitions. Today, acquirers of mutual fund companies and assets far outnumber the sellers. These buyers include larger mutual fund companies, insurance companies, banks, brokerage firms and industrial companies from all parts of the globe. This fierce competition has driven prices for mutual fund companies to unprecedented levels making even strategic purchases more difficult to rationalize. And price is not the only barrier. Mutual fund companies looking for buyers are most attracted to partners that offer the best array of synergies.

At this time, it makes sense for Mackenzie Investment to grow from within. Accordingly, we are making substantial investments in our sales and marketing teams. We have just recently more than doubled our sales force and put in place an enhanced sales management structure. In addition, we are building product management teams in each of our product lines.

Also, in July 1999 we introduced a very innovative and exciting new family of funds—*International Solutions*. Each of the funds in this new group will be a "fund of funds" that will invest in both Ivy funds and non-affiliated funds. The external mutual fund companies were selected on the basis of their strong brand recognition in managing international assets. Our partners, which are listed below, should add to the product's appeal and saleability:

Bankers Trust Company
Lazard Frères & Co., LLC
Montgomery Asset Management, LLC
Scudder Kemper Investments, Inc.
Warburg Pincus Asset Management, Inc.

A key feature of *International Solutions* is the attractive re-balancing of portfolios at quarterly intervals. The new "fund of funds" structure only recently received enabling legislation. The International Solutions format eliminates the administrative burden and may reduce investor trading costs which would otherwise result from regularly re-balancing a portfolio of mutual funds. In addition, the program offers financial advisors and their clients an investment profile questionnaire which allows clients to choose the *International Solutions* portfolio that best suits their risk/reward profile.

The five *International Solutions* funds were created utilizing proven quantitative techniques by an experienced asset allocation team, lead by Gordon Garmaise of Garmaise Investment Technologies Inc. Mr. Garmaise provides similar services for Mackenzie's very successful STAR and KEYSTONE products.

Building new and stronger relationships

Enhancing our distribution continues to be critical for our success. The marketplace is becoming more complex and investors more sophisticated. The lines between the different financial intermediary channels are less defined. The demand is growing for objective financial advisory services making change necessary at all levels of the business.

Mackenzie Investment's distribution capability will have to keep pace. First, we must ensure that we nurture existing relationships with distributors and fund shareholders. It is also important that our technology continues to be state-of-the-art. We must serve both clients and intermediaries who want to be served through the Internet as well as those who still feel that the personal touch is best for them.

We are continuing to explore and develop new channels of distribution. The strong brand characteristics of *International Solutions* and the integrity of the product should be very helpful in opening new doors.

Trust and Administrative Services

Condensed Supplementary Financial Statements of the Trust and Administrative Services are provided in Tables 9 and 10.

Business Activities

The M.R.S. Group of Companies ("MRS") consists of:

- **Multiple Retirement Services Inc.**, a mutual fund dealer regulated by the Ontario Securities Commission which provides complete account services, as well as client and regulatory reporting for independent fund dealers and their financial advisors.

- **M.R.S. Securities Services Inc.**, an investment dealer regulated by the Investment Dealers Association of Canada (and a member of the Canadian Investor Protection Fund) which provides administrative support services to self-regulatory organization investment dealers and broker/dealers.

- **M.R.S. Trust Company**, a trust company regulated by the Ontario Ministry of Financial Institutions and a member institution of the Canada Deposit Insurance Corporation. M.R.S. Trust Company provides a broad range of deposit and lending products and services to clients of financial advisors. In addition, M.R.S. Trust Company provides fiduciary services as a trustee for registered retirement products and income fund plans offered by Multiple Retirement Services Inc. and Mackenzie.

MRS provides the Canadian investor with registered plans (including RRSPs, Group RRSPs, RRIFs, LIFs and LRIFs), investment accounts and a variety of other financial products and services. With the guidance of their independent financial advisors, investors can invest in over 1800 Canadian mutual funds, a wide variety of term deposits, stock and bond securities, RSP eligible mortgages, specialty products, and MRS's own proprietary asset allocation program, KEYSTONE. In addition, through MRS, clients can obtain a mortgage, RRSP loan or investment loan.

At fiscal year end, MRS was trustee and administrator for over 620,000 investor accounts, representing in excess of $19 billion in assets, and with more than 9500 financial advisors using its products and services.

During fiscal 1999, we enhanced MRS's popular RSP Contribution Loan Program, providing for easy Internet application and on-line approval. We also expanded our Mortgage Referral Program to most provinces as regulatory requirements were satisfied.

In addition, we launched the MRS website providing financial advisors with:

- immediate access to client account information
- the ability to open new accounts on-line
- product and service information, and
- access to financial tools.

As a complement to Internet access, MRS also introduced an interactive voice response ("IVR") service, allowing financial advisors access by telephone to client information and specialized reporting seven days a week, 24 hours a day. Under the trade name "Symon", both the MRS website and IVR provide the financial advisor with previously unavailable levels of access to client, product and service information.

The new product launches, the enhancements to existing product lines, and the continued improvements in service levels serve to strengthen MRS's commitment to the independent dealer community. That commitment allows the financial advisor to aggressively compete in today's highly competitive marketplace, and allows us to deliver upon MRS's mission statement:

Partnering with independent financial advisors and their firms,
to provide the industry's finest investment products and services.

Financial Results

MRS achieved record results in fiscal 1999. Net earnings for 1999 totalled $3.6 million representing an increase of 37% from 1998 earnings of $2.6 million (1997 – $2.6 million).

The increase in net earnings reflects increases in net interest margin, lower loan arrears resulting in reductions in loan loss provisions, growth of registered accounts upon which MRS provides administration and trustee services, growth in mutual fund assets upon which MRS earns distribution and advisory fees and expense management initiatives.

With the launch of the KEYSTONE asset allocation program by MRS in late fiscal 1998, distribution and advisory fee income earned on mutual fund assets was the fastest growing segment of MRS's activities during fiscal 1999, followed by the growth in net interest margin from lending activities. Trustee and administration fee income earned by MRS in fiscal 1999 on its account services business was comparable to the prior year.

Revenue increased by $3.0 million to $54.9 million for the year ended March 31, 1999 from $51.9 million for the previous year (1997 – $51.3 million).

Trustee and administration fees, inclusive of inter-segment trustee fees, which include fees charged for providing complete account services for registered and investment accounts for investors and their financial advisors, were unchanged at $30.8 million as compared to last year (1997 – $28.8 million). As at March 31, 1999, MRS administered over 220,000 registered accounts, holding in excess of $12.4 billion in assets and provided trustee services for approximately 400,000 registered plans offered and administered by Mackenzie. In addition, MRS administers mortgages for third parties in return for servicing fees.

Inter-segment distribution revenue at $0.3 million, as compared to nil in previous years, represents the fees reported for providing marketing, sales and distribution services for the KEYSTONE family of mutual funds. The KEYSTONE asset allocation program currently consists of 10 optimized portfolios each consisting of seven mutual funds. The mutual funds in the portfolios are managed by Mackenzie. Investment advice is provided by Mackenzie as well as by six independent, established investment managers. MRS earns fees based on the overall market value of KEYSTONE mutual fund assets. As at March 31, 1999, total assets in the KEYSTONE program were $206 million compared to $31.7 million as at March 31, 1998.

MRS provides *inter-segment advisory services* to Mackenzie on behalf of Ivy Mortgage Fund and earns fees based on the market value of the assets of that fund. As at March 31, 1999, Ivy Mortgage Fund had assets of $290 million up from $234 million at March 31, 1998. Total sub-advisory fee revenue earned by MRS was $2.1 million for fiscal 1999 an increase of 24% from the fiscal 1998 total of $1.7 million (1997 – $1.0 million).

Interest on lending operations, including mortgages, RRSP contribution loans, investment loans, revenues associated with loan securitization activities and interest earned on cash and marketable securities increased $2.1 million to $20.9 million compared to $18.8 million in the previous year (1997 – $20.7 million).

Net interest margin, the difference between interest on lending operations and interest relating to deposit operations, was $10.6 million for the year ended March 31, 1999 versus $8.7 million in 1998 (1997– $7.8 million). The increase was attributable to a combination of factors, including growth in the RRSP loan portfolio, the launch of investment loans, and higher short-term interest rates.

Expenses incurred by MRS are comprised of employee salaries, benefits and other staffing costs, technology related expenditures, sales and marketing expenses, overhead and other general and administrative expenses. Total operating expenses in fiscal 1999, excluding interest relating to deposit operations, were $37.3 million compared to $37.0 million in 1998 (1997 – $33.4 million).

Table 9 – **Condensed statements of earnings**

(in millions of dollars)

For the Year ended March 31	**1999**	**1998**	**1997**
Revenue			
Management and administration fees	$ 28.3	$ 28.9	$ 27.3
Distribution revenue	.6	.6	.5
Interest on lending operations	20.9	18.8	20.7
Interest and dividends	.2	–	.3
Inter-segment revenue			
Trustee fees – Mackenzie managed accounts	2.5	1.9	1.5
Sub-advisor fees – Ivy Mortgage Fund	2.1	1.7	1.0
Distribution revenue – KEYSTONE Funds	.3	–	–
Total Revenue	$ 54.9	$ 51.9	$ 51.3
Expenses			
General and administrative	$ 35.9	$ 34.6	$ 29.8
Interest relating to deposit operations	10.3	10.1	12.9
Other	1.4	2.4	3.8
Total Expenses	$ 47.6	$ 47.1	$ 46.5
Earnings before provision for income taxes	7.3	4.8	4.8
Provision for income taxes	3.7	2.2	2.2
Net Earnings	$ 3.6	$ 2.6	$ 2.6

Financial Position

Table 10 – Selected balance sheet accounts

(in millions of dollars)

Year ended March 31	**1999**	**1998**
Assets		
Cash and short-term investments	$ 48.2	$ 52.8
Loans	238.6	205.7
Liabilities		
Customer deposits	$ 281.8	$ 254.3

Total assets within MRS at March 31, 1999 were $319.9 million as compared to $291.4 million at March 31, 1998, an increase of $28.5 million or 10%.

The single largest increase in assets related to the consumer loan portfolio, included in *loans*, which grew by 45.7% to $90.0 million from $61.8 million as at March 31, 1998.

Mortgages, also included in *loans*, continued to be the single largest asset within the MRS balance sheet, totalling $148.6 million, marginally higher from $143.9 at March 31, 1998. As at March 31, 1999, loans in arrears over 60 days comprised 1.9% of the mortgage portfolio, compared to 3.7% as at March 31, 1998. Loans in arrears over 60 days on the uninsured mortgage portfolio was 0.89% at March 31, 1999 which compares very favourably to 4.79% as at March 31, 1998.

Outlook

A changing regulatory environment, coupled with concerns about the marketplace, have caused independent dealers and financial advisors across Canada to take stock of their relative competitive positions and re-examine their long-term strategies. Throughout fiscal 1999, we saw dealerships merging, restructuring, and recruiting in the hope that size would equate to the strength necessary to weather the upcoming changes. We also witnessed small dealerships emerging as niche players, focusing on specific segments of the marketplace. Some dealers, in an effort to broaden their scope of business, recruited dual-licensed advisors from the insurance industry. Still others reviewed their licensing, to ensure they could provide their clients with access to a wide variety of products and services, while meeting all the regulatory and compliance requirements. The high rate of movement of financial advisers between dealers experienced in fiscal 1999 is likely to continue in the year ahead.

The only constant for the financial services sector will continue to be change. Strong competition, increasing and changing regulation and technological developments are significantly affecting the way financial products and services are distributed and supported. MRS's future is affected by these same factors.

MRS is increasingly in competition with the large banks, broker/dealers, trust companies, and fund companies as a result of its mission to support financial advisors and their firms. On the account servicing front, the most significant competitors are fund companies with their no fee registered accounts. Independent distributors who employ financial advisors also compete with MRS within the realm of account services when they elect to make the ongoing investment and commitment to account administration. Consolidation among distributors could further increase the likelihood of competing with independent distributors. However, the pending self-regulation of mutual fund dealers could significantly alter what is both permissible and practical in the distribution side of the industry. We view that self regulation is a key opportunity for MRS, which is uniquely positioned to meet the new regulatory demands being placed on dealers.

Through its entrance into mutual fund distribution with the KEYSTONE asset allocation program, MRS has now started to compete with other mutual fund companies who were traditionally strictly suppliers of product to MRS customers. The allure of investment management fees has also prompted many larger, traditional fund distributors to become fund manufacturers, which again results in MRS competing with these independent distributors. MRS is uniquely positioned to compete in this arena, as it offers a cutting edge strategic asset allocation program designed by Garmaise Investment Technologies—Canada's leader in investment optimization—that incorporates the talents of seven of Canada's most respected investment management firms.

MRS also competes with traditional deposit and lending institutions as it follows a strategy of enabling each independent financial adviser to provide the same breadth of products and services as is available through a major bank or trust branch. Increasingly, giving financial advice involves meeting all of the financial needs of the retail client, relating to both their assets and liabilities.

Technology will also continue to have a significant impact on MRS. Through the use of the Internet, MRS can provide better quality, lower cost service to financial advisors, who in turn can do the same for their clients. Our early investment in this technology will give us a competitive advantage. As industry trading and settlement standards are becoming more stringent, we are well positioned to meet these demands in an efficient, cost-effective manner.

Finally, market corrections and interest rate swings can negatively affect demand for MRS's products and services. Such events reinforce the need for individual investors and consumers to seek professional independent advisors who will assist them in weathering volatility. Coupled with the strategy of rounding out its array of products and services, is MRS's on-going initiative to enhance its competitive position through better enabling independent advisers to attract and retain clients.

Whatever the services, product need, or licensing requirements, MRS is uniquely positioned, with its broad line-up of products and services, to assist independent financial advisors and their firms in meeting the objectives of both their clients and themselves.

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Liquidity and Capital Resources of the Corporation

The Corporation's liquidity requirements involve the financing of operations, the servicing of debt, providing capital requirements of its subsidiary companies, paying dividends to shareholders and acquiring new businesses should opportunities arise.

The Corporation's objective is to maintain sufficient capital resources to fund selling commissions paid to dealers during periods of high growth in sales of mutual fund units and to ensure that capital resources and liquid assets, including credit facilities, exceed short-term requirements should attractive investment opportunities or unforeseen events arise.

Cash and short-term investments increased to $293.0 million from $79.9 million as at March 31, 1998 (1997 – $57.4 million).

Table 11 – Condensed consolidated cash flow statements

(in millions of dollars)

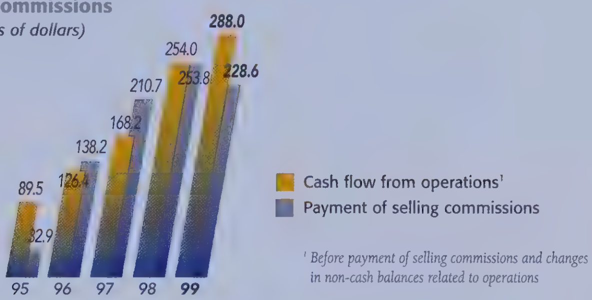
Years ended March 31	1999	1998	1997
Cash provided by operating activities before selling commissions paid and changes in non-cash balances	$ 288.0	$ 254.0	$ 168.2
Payment of selling commissions	(228.6)	(253.8)	(210.7)
Changes in non-cash balances related to operations	43.5	49.6	(96.2)
Cash provided by operating activities	102.9	49.8	(138.7)
Cash provided by (used by) financing activities	150.9	(21.8)	89.2
	253.8	28.0	(49.5)
Cash (used by) provided by investing activities	(42.4)	(6.0)	3.7
Increase (decrease) in cash and cash equivalents	211.4	22.0	(45.8)
Currency exchange adjustment	1.7	0.5	–
Cash and cash equivalents – beginning of year	79.9	57.4	103.2
Cash and cash equivalents – end of year	$ 293.0	$ 79.9	$ 57.4

Operating Activities

Cash provided by operating activities, before the payment of selling commissions to dealers and changes in non-cash balances, increased to $288.0 million from $254.0 million for the previous year (1997 – $168.2 million). Increased net earnings combined with expenses not affecting cash accounted for the improvement. During the year, the Corporation paid $228.6 million in selling commissions to dealers, a decrease of $25.2 million from $253.8 million paid in fiscal 1998 (1997 – $210.7 million). The decline was a result of lower sales of mutual fund units on a deferred sales charge basis.

Also, in the fourth quarter the Corporation's U.S. subsidiary, Mackenzie Investment, sold a portion of its deferred selling commissions assets to a third party purchaser. This transaction reduced cash flow from operating activities by $12.0 million due to the related movement in income taxes from deferred to current taxes payable.

Cash flow and payment of selling commissions
(in millions of dollars)



[1] *Before payment of selling commissions and changes in non-cash balances related to operations*

Financing Activities

Cash provided by financing activities was $150.9 million, an increase of $172.7 million from $21.8 million used by financing activities last year (1997 – $89.2 million provided by financing activities). Early in fiscal 1999, Mackenzie completed the initial public offering of 8.1 million Preferred A Units of Mackenzie Income Trust. The net proceeds of $195.1 million were loaned to Mackenzie to finance and refinance the sale of redemption charge securities managed by Mackenzie.

In March 1999, Mackenzie Investment sold a portion of its deferred selling commission assets to an independent third party for net proceeds of $31.4 million, as discussed under operating activities.

In addition, the Corporation receives cash from the exercise of stock options by employees which, in fiscal 1999, amounted to $13.3 million as compared to $14.8 million in fiscal 1998 (1997 – $11.9 million).

Increased customer deposits with M.R.S. Trust Company increased cash by $27.5 million as compared to a reduction in customer deposits of $24.0 million last year (1997 – cash utilized $5.2 million).

During the year, cash was utilized to repay the following debt:

- $50.0 million 7.2% Series I Senior Debentures
- $38.4 million of Preferred A Units
- $7.6 million of Amortizing Asset-Backed Notes, and
- $9.6 million bank loan of Mackenzie Investment.

Investing Activities

Cash utilized by investing activities, increased to $42.4 million from $6.0 million last year (1997 – $3.7 million provided). Cash was used primarily to fund M.R.S. Trust Company loans and to purchase capital assets.

The Corporation generates capital resources internally through net earnings and externally through the issue of units of income trusts, senior debentures, notes payable and the sale of common shares and deferred selling commission assets. To provide additional liquidity should an unforeseen event occur, the Corporation maintains a $50.0 million line of credit with a Canadian chartered bank and Mackenzie Investment has a US$10 million loan facility from a U.S. bank.

During the year, the Corporation will be required to repay a portion of the Preferred A Units issued by Mackenzie Income Trust (the "Trust") and $8.1 million of Amortizing Asset-Backed Notes (the "Notes") issued by Mackenzie Securitized Partnership ("MSP"). The repayment of the Notes by MSP, and a portion of the Preferred A Units by the Trust, will be primarily derived from a portion of the management fee revenue and all redemption fee revenue relating to the units of the mutual funds distributed directly by MSP and by Mackenzie where cash borrowed from the Trust was used to pay selling commissions to dealers.

The requirement for liquidity within MRS arises primarily from financing its operations, servicing the principal and interest obligations on guaranteed deposits, and meeting its funding obligations arising from loan commitments. MRS uses a combination of securitizations, customer deposits, and mortgage sales to Ivy Mortgage Fund and third party institutions to ensure that it meets all of its financing obligations in both a cost-effective and efficient manner.

Because MRS is subject to significant regulation, monitoring capital adequacy is of paramount importance. The primary source of additional capital is retained earnings, although from time to time capital injections of equity, or regulatory capital through a subordinated loan facility, are required from the Corporation to support the growth of operations.

The Corporation will utilize the increasing cash flow from operating activities and other financing opportunities to maintain liquidity and the strong capital base required to increase managed assets, repay debentures, notes and Preferred A Units and complete other strategic initiatives as opportunities arise.

Year 2000 for the Corporation

The Year 2000 problem arises because in the past many computer systems used only two digits to represent the year, and inferred the century to be 19 (e.g., "98" for 1998). Given this ambiguous date representation, when dates after 1999 are used, errors in calculations and comparisons can occur and dates such as "00" may be misinterpreted as 1900 or some other date. The Corporation is an extensive user of information technology and its operations depend on the proper functioning of both internal and third party computerized systems. The effects of the Year 2000 problem may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Corporation's ability to conduct normal business operations. It is not yet possible to be certain that all aspects of the Year 2000 problem affecting the Corporation, including those related to our customers, suppliers and other third parties, will be fully resolved.

The Corporation implemented a project to address this issue in 1997, and significant resources have been channelled into this activity. The project was segmented into multiple phases: inventory, risk assessment, remediation, testing in an isolated future-dated environment, (both stand-alone testing and integration testing with other internal and external systems and data providers), and implementation. A complete inventory of potentially affected systems was compiled and detailed assessment efforts to identify required changes were completed in fiscal 1998. Remediation efforts were substantially complete at the end of calendar 1998, and as at March 31, 1999, stand-alone testing and a significant portion of integration testing had been completed for the majority of our critical business systems.

The tested code has been re-implemented in our production environment, making it the system we are currently using to run our day-to-day business processing operations. Compliance of computer hardware and operating software, as well as voice and data communications networks, has also been assessed and we have upgraded to Year 2000 compliant versions for all technology elements in our environment (including both information systems and systems such as security card and other building systems). The 1999 calendar year is being used for additional testing and contingency planning activities, including continued investigation and testing with potentially non-compliant business partner and supplier systems.

The Corporation is dependent on a number of third parties with which we exchange data on a regular basis. In addition, a small number of our systems are "outsourced" to third party service providers, from whom we have obtained assurances that adequate plans exist to deal with non-compliant processes in a timeframe acceptable to us. Failure to achieve Year 2000 compliance on the part of these entities could have an adverse affect on the Corporation's operations. Accordingly, a formal program exists to communicate with key business partners and suppliers in order to assess their Year 2000 status. Where critical third party systems are involved we have tested directly with them. This will be an on-going process as we approach the millennium change. As there can be no definitive assurance that the systems of such third parties will not have an adverse effect on the Corporation's operations, the results of these activities will be used in determining risk mitigation strategies to be employed as part of our Year 2000 contingency planning process.

The Corporation has estimated the total costs associated with resolution of the Year 2000 problem to be in the range of $6 million, the majority of which was incurred in 1997 and 1998. The portion of these costs attributable to calendar 1999 will be less than $1 million. Costs that are solely related to the transfer agency and fund administration services provided to the Funds sponsored by Mackenzie are charged to the sponsored Fund. Mackenzie anticipates the expenditures in 1999 charged to the Funds for the Year 2000 program will be less than 0.005% of each fund's net assets. Many of the changes made and system tools acquired in order to achieve compliance will result in long-term improvements in the on-going maintenance and operational efficiency of our systems. Modification costs are expensed as incurred, while the cost of new hardware and software is amortized over the assets' useful lives.

Conclusion

Management has developed plans and products that it expects will contribute to the Corporation's growth. We will continue to introduce new products and services on an ongoing basis to ensure that an acceptable rate of long-term growth in shareholder value is maintained.

To spearhead that growth, the Corporation stresses basic fundamental strengths:

- outstanding, motivated employees
- superior long-term investment performance
- quality administrative systems and services
- a high commitment to the independent distribution network, and
- a strong balance sheet.

Management believes these strengths will result in continued improvements in earnings and shareholder value in future years.

consolidated financial statements

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MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management and have been approved by the Board of Directors of the Corporation. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the integrity, objectivity and reliability of the consolidated financial statements and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

Management has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that the Corporation's assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit, Finance and Risk Committee, comprised entirely of non-management directors. The Audit, Finance and Risk Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting and internal control responsibilities, and to review the consolidated financial statements and the independent auditors' report. The Audit, Finance and Risk Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The internal and the independent auditors have direct access to the Audit, Finance and Risk Committee.

The consolidated financial statements have been independently audited by PricewaterhouseCoopers LLP on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

James L Hunter

JAMES L. HUNTER
President and Chief Executive Officer

James Dryburgh

JAMES T. DRYBURGH
Senior Vice-President and Chief Financial Officer

May 7, 1999

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Mackenzie Financial Corporation as at March 31, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the three year period ended March 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended March 31, 1999 in accordance with accounting principles generally accepted in Canada.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

Toronto, Canada
May 7, 1999

(thousands of dollars)

CONSOLIDATED BALANCE SHEETS

As at March 31

	1999	1998
Assets		
Cash and short-term investments *(note 9)*	**$ 292,999**	$ 79,876
Marketable securities *(note 4)*	**160,997**	59,329
Accounts and other receivables *(note 9)*	**103,467**	93,093
Income taxes recoverable	**3,773**	22,025
Loans *(notes 5 and 9)*	**238,584**	205,702
Deferred selling commissions and investment in related partnership *(note 6)*	**569,667**	515,173
Investment in affiliated company *(note 4)*	**–**	77,581
Capital assets *(note 7)*	**28,995**	29,668
Other assets *(note 8)*	**23,006**	19,672
	$ 1,421,488	$ 1,102,119
Liabilities		
Bank loans	**$ –**	$ 9,633
Accounts payable and accrued liabilities	**96,678**	78,030
Customer deposits *(note 9)*	**281,814**	254,292
Senior debentures and notes payable *(note 10)*	**66,697**	124,259
Preferred A Units *(note 11)*	**164,135**	–
Deferred income taxes *(note 3)*	**260,669**	200,456
Minority interest	**13,254**	9,263
	883,247	675,933
Shareholders' Equity		
Capital stock *(note 12)*		
Authorized – Unlimited number of common shares		
Issued and outstanding		
– 126,891,455 (1998 – 124,904,630) common shares	**80,958**	67,655
Retained earnings	**451,149**	355,779
Currency exchange adjustment	**6,134**	2,752
	538,241	426,186
	$ 1,421,488	$ 1,102,119

The accompanying notes are an integral part of these consolidated financial statements

Signed on behalf of the Board

JAMES L. HUNTER
Director

F. WARREN HURST
Director

(thousands of dollars except per share figures)

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended March 31

	1999	1998	1997
Revenue			
Management and administration fees	$ **548,801**	$ 461,889	$ 330,891
Distribution revenue	**61,469**	49,461	28,854
Interest relating to lending operations	**20,900**	18,831	20,684
Interest and dividends	**13,173**	3,536	6,860
Gain on marketable securities *(note 4)*	**42,701**	2,238	2,509
	687,044	535,955	389,798
Expenses			
General and administrative	**129,543**	110,499	92,913
Trail commissions to dealers	**116,800**	90,914	59,824
Subadvisory fees	**33,717**	28,742	16,088
Distribution fees paid to limited partnership	**22,460**	24,568	23,912
Interest expense relating to deposit operations	**10,278**	10,075	12,853
Other interest expense *(notes 10 and 11)*	**19,750**	9,964	10,223
Amortization of deferred selling commissions *(note 6)*	**142,669**	106,941	61,936
Other depreciation and amortization	**14,892**	17,263	16,668
	490,109	398,966	294,417
Earnings before provision for income taxes, equity in earnings of affiliated company, dilution gain (loss) and minority interest	**196,935**	136,989	95,381
Provision for income taxes *(note 13)*			
Current	**27,692**	10,687	6,722
Deferred *(note 3)*	**60,550**	54,469	36,401
	88,242	65,156	43,123
Net earnings before equity in earnings of affiliated company, dilution gain (loss) and minority interest	**108,693**	71,833	52,258
Equity in earnings of affiliated company *(notes 3 and 4)*	**628**	7,181	6,957
Dilution gain (loss)	**(462)**	(638)	3,062
Minority interest share of earnings	**(2,122)**	(1,945)	(526)
Net earnings for the year	**106,737**	76,431	61,751
Retained earnings – beginning of year	**355,779**	289,274	247,424
Adjustment for income taxes *(note 3)*	**–**	–	(10,857)
Dividends paid	**(11,367)**	(9,926)	(9,044)
Retained earnings – end of year	$ **451,149**	$ 355,779	$ 289,274
Earnings per share – basic	$ **0.85**	$ 0.62	$ 0.51
Fully diluted earnings per share *(note 12(b))*	$ **0.82**	$ 0.59	$ 0.49

The accompanying notes are an integral part of these consolidated financial statements

(thousands of dollars)

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended March 31

	1999	1998	1997
Operating Activities			
Net earnings for the year	**$ 106,737**	$ 76,431	$ 61,751
Items not affecting cash –			
Gain on share exchange *(note 4)*	**(41,117)**	–	–
Depreciation and amortization	**157,561**	124,204	78,604
Deferred income taxes	**60,550**	54,469	36,401
Equity in earnings of affiliated company net of dividends received	**72**	(5,921)	(6,047)
Dilution (gain) loss	**462**	638	(3,062)
Minority interest share of earnings	**2,122**	1,945	526
Currency exchange adjustment	**1,637**	2,249	–
	288,024	254,015	168,173
Payment of selling commissions	**(228,580)**	(253,829)	(210,715)
Net decrease (increase) in non-cash balances related to operations *(note 14)*	**43,448**	49,634	(96,157)
	102,892	49,820	(138,699)
Financing Activities			
Proceeds from (repayment of) bank loan	**(9,633)**	2,828	(7,995)
Repayment of notes payable	**(7,562)**	(7,082)	(6,632)
Net proceeds from securitization of deferred selling commissions *(note 6)*	**31,417**	–	–
Proceeds from issue of Mackenzie Income Trust Preferred A Units, less issue expense of $7,359 *(note 11)*	**195,141**	–	–
Principal repayment of Preferred A Units	**(38,365)**	–	–
Proceeds from issue (repayment) of senior debentures *(note 10)*	**(50,000)**	–	99,053
Net proceeds from issue of Mackenzie Investment Management Inc. shares	**460**	1,610	7,174
Increase (decrease) in customer deposits	**27,522**	(24,010)	(5,176)
Payment of dividends	**(11,367)**	(9,926)	(9,044)
Issue of common shares	**13,303**	14,768	11,859
	150,916	(21,812)	89,239
Investing Activities			
Purchase of capital assets	**(10,937)**	(17,188)	(14,465)
(Increase) decrease in loans	**(32,882)**	12,093	6,935
Decrease (increase) in other assets	**1,389**	(922)	11,184
	(42,430)	(6,017)	3,654
Increase (decrease) in cash and cash equivalents	**211,378**	21,991	(45,806)
Currency exchange adjustment on cash	**1,745**	503	–
Cash and cash equivalents – beginning of year	**79,876**	57,382	103,188
Cash and cash equivalents – end of year	**$ 292,999**	$ 79,876	$ 57,382
Supplemental disclosure of cash flow information			
Amount of interest paid in the year	**$ 25,132**	$ 19,798	$ 22,253
Amount of income taxes paid in the year	**$ 11,286**	$ 15,784	$ 21,522

The accompanying notes are an integral part of these consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 1999, 1998 and 1997 *(thousands of dollars except per share figures)*

1 | Description of Business

The Corporation is incorporated under the Business Corporations Act (Ontario). Its shares, which are widely held, are listed on The Toronto Stock Exchange and the Montreal Exchange, under the ticker symbol MKF, and quoted on NASDAQ in the United States under the ticker symbol MKFCF. The common shares of Mackenzie Investment Management Inc., a majority owned subsidiary of the Corporation, are listed on The Toronto Stock Exchange under the ticker symbol MCI.

The Corporation's principal business is the marketing and management of public mutual funds in both Canada and the United States. In addition, the Corporation provides investment management services to other public mutual funds and private accounts.

The Corporation's main ancillary businesses are the operations of M.R.S. Trust Company and Multiple Retirement Services Inc. These subsidiaries provide trustee and administrative services to registered and investment accounts. As well, M.R.S. Trust Company conducts deposit taking and lending activities.

2 | Significant Accounting Policies

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in Canada. See note 18 for a reconciliation of differences between the consolidated financial statements using Canadian generally accepted accounting principles and United States generally accepted accounting principles. The significant accounting policies are as follows:

Management's Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its directly and indirectly owned subsidiaries, trust and partnership of which the principal operating entities are:

- Mackenzie Investment Management Inc. ("Mackenzie Investment") (a Delaware company) 83%
- M.R.S. Trust Company ("M.R.S. Trust") 100%
- Multiple Retirement Services Inc. 100%
- M.R.S. Securities Services Inc. 100%
- Mackenzie MEF Management Inc. 100%
- Mackenzie Securitized Partnership ("MSP") 100%
- Mackenzie Financial Services Inc. 100%
- Cundill Funds Inc. 100%
- Mackenzie Income Trust 100%

Short-Term Investments

Short-term investments, consisting of liquid assets with maturities within 90 days of issue, are carried at amortized cost which approximates market value.

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Marketable Securities

Marketable securities are carried at the lower of cost or amortized cost and market value. A write down of an investment in marketable securities to reflect a decline in value is not reversed if there is a subsequent increase in value.

Foreign Currency Translation

The financial statements of Mackenzie Investment, a majority owned U.S. company, have been translated to Canadian dollars using the current rate method, a method of translation which translates assets and liabilities at the rate of exchange in effect on the balance sheet date, and revenue and expense items at the rate of exchange in effect on the dates of the relevant transactions. Any resulting translation gains or losses are reported in shareholders' equity as a currency exchange adjustment.

Capital Assets

Capital assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided at annual rates as follows:

Furniture and equipment – 20% diminishing balance basis
Computer hardware – 30% diminishing balance basis
Computer software – 50% straight-line basis
Leasehold improvements – straight-line over term of lease

Loans

Loans are stated net of any unearned income and any allowance for credit losses. Interest income on non-performing loans is not accrued. Loans are classified as being non-performing when a specific allowance has been established or when interest or principal is past due 90 days. When the value of any loan is identified as impaired, the carrying amount is reduced to estimated realizable amounts. Estimated realizable amounts are measured by discounting reasonably determinable expected future cash flows at the effective interest rate inherent in the loan or using the fair value of underlying security less realization costs or observable market prices for the loans.

Securitization of Loans

From time to time, M.R.S. Trust sells mortgage loans and consumer loans through securitization arrangements. Based on these arrangements, M.R.S. Trust issues securities, which are backed by NHA-insured fixed-rate mortgages, to investors, or sells pools of NHA-insured floating-rate mortgages and consumer loans to a third-party multi-seller financing vehicle which in turn issues securities to investors. M.R.S. Trust typically continues to administer the securitized mortgages and loans for a fee.

Goodwill

Goodwill is recorded at cost and amortized on a straight-line basis over ten years. The Corporation assesses the value of its goodwill by considering the estimated future economic benefit associated with the earnings capacity of the related business. Goodwill is written down when it is considered that a permanent impairment in value has occurred.

Management Contracts

Management contracts are recorded at cost and amortized on a straight-line basis primarily over a ten year period. The Corporation assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related mutual funds.

Selling Commissions and Investment in Related Partnership

The Corporation directly finances selling commissions relating to its mutual funds which are distributed on a deferred sales charge basis. In addition, the Corporation previously participated with private investors in various related limited partnerships whose primary business purpose was to distribute and fund deferred sales charge mutual funds. These related limited partnerships were consolidated into Mackenzie Master Limited Partnership ("MLP") and the units of MLP were listed on The Toronto Stock Exchange. Selling commissions and the investment in MLP, are recorded at cost and are amortized to expense over five to seven years. Unamortized deferred selling commissions and investment in MLP are written-down to the extent that it is unlikely that expected future revenues will recover the unamortized costs.

Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended March 31, 1999.

3 | Change in Accounting Policy

Effective April 1, 1998 the Corporation adopted new recommendations of the Canadian Institute of Chartered Accountants for recording and disclosing income taxes. This standard, which more closely harmonizes Canadian and U.S. corporate income tax accounting, requires that the Corporation recognizes a future income tax liability on its share of undistributed earnings of its affiliated company. This standard also requires that future income tax assets and liabilities are to be calculated using tax rates expected to apply when the asset is realized or the liability settled, which is usually the enacted rate, and drawdowns are measured using the actual tax rates in effect during the period of reversal. The new recommendations have been applied retroactively and the 1998 and 1997 financial statements have been restated.

The following table summarizes the restatement adjustments recorded by the Corporation:

	Increase (decrease) 1998	1997
Consolidated Balance Sheets		
Deferred taxes	$ 18,847	$ 14,620
Retained earnings	(18,847)	(14,620)
Consolidated Statements of Earnings and Retained Earnings		
Deferred income tax provision	$ (1,249)	$ (815)
Equity in earnings of affiliated company	(2,978)	(2,948)
Net earnings for the year	$ (4,227)	$ (3,763)
Effect on earnings per share - basic	$ (0.03)	$ (0.03)
Effect on earnings per share - fully diluted	$ (0.03)	$ (0.03)

4 | Marketable Securities

The market value of marketable securities, which includes investments in Merrill Lynch & Co., Canada Ltd. ("Merrill Lynch"), seed capital and a Government of Canada bond, as at March 31, 1999 is $267,163 (1998 – $61,149).

Effective August 26, 1998 the Corporation exchanged its investment in Midland Walwyn Inc. (an affiliated company) shares for shares of Merrill Lynch. The investment in Merrill Lynch shares ($118,944) is carried at the lower of cost and market value. Included in net earnings is a gain on marketable securities of $27,357 (net of income taxes of $13,760), resulting from the share exchange.

Subsequent to March 31, 1999 the Corporation sold 336,000 shares of Merrill Lynch to hold 1,344,000 shares. The net earnings attributable to the sale is $13,032 ($0.10 per share), net of income taxes payable of $5,507, and will be reflected in net earnings for the first quarter ended June 30, 1999.

5 | Loans

An analysis of M.R.S. Trust loans and related provision for credit losses is as follows:

	1999				1998
	Gross	Provision		Carrying	Carrying
	Amount	Specific	General	Amount	Amount
Loans:					
NHA insured mortgages	$ 109,215	$ –	$ –	$ 109,215	$ 104,149
Conventional residential mortgages	31,040	100	1,506	29,434	24,703
Conventional commercial mortgages	11,064	124	1,006	9,934	15,079
	151,319	224	2,512	148,583	143,931
Consumer loans	90,613	–	612	90,001	61,771
Total loans	$ 241,932	$ 224	$ 3,124	$ 238,584	$ 205,702

Specific Provisions

Loans are reviewed regularly by management to assess classification as non-performing and, where appropriate, to require provision or write-off. The determination of the estimated recovery amount of non-performing loans is based on either discounting of estimated cash flows, the fair value of the underlying security or observable market prices, as appropriate, in accordance with management's recovery plan. The value of collateral, which may vary by type of loan and which may include cash, real property, accounts receivable, guarantees, inventory or other capital assets, is considered in establishing provisions. As at March 31, 1999 $237 (1998 – $1,087) of residential mortgages, $112 (1998 – $200) of commercial mortgages and $nil (1998 – $nil) of consumer loans were classified as impaired.

General Provision

The general provision is established at a level which reflects management's estimate of the provisions required in respect of the loans for which individual specific provision cannot yet be determined.

6 | Deferred Selling Commissions and Investment in Related Partnership

During the year ended March 31, 1999, the Corporation paid $228,580 (1998 – $253,829; 1997 – $210,715) in deferred selling commissions.

The Corporation recorded amortization of $142,634 (1998 – $106,042; 1997 – $60,537) of deferred selling commissions funded directly and amortization of $35 (1998 – $899; 1997 – $1,399) of its investment in MLP.

	1999	1998
Deferred selling commissions	**$ 959,969**	$ 761,702
Investment in MLP	**6,996**	6,996
	966,965	768,698
Accumulated amortization	**397,298**	253,525
	$ 569,667	$ 515,173

Redemption fees are payable by mutual fund unitholders if mutual fund units acquired on a deferred sales charge basis are redeemed within a specified period. The Corporation has estimated that its entitlement to such redemption fees, net of the permitted 10% free redemptions, at March 31, 1999, would have amounted to $781,365 (1998 – $733,115) if all unitholders had redeemed their fund units on that date.

On March 23, 1999, Mackenzie Investment sold a portion of its deferred selling commissions to a third party (the "Purchaser"). The sale resulted in Mackenzie Investment receiving cash proceeds of $31,417 and recording a net gain of approximately $63 after recording expenses incurred in connection with the transaction. The sale of the deferred selling commissions provides cash to Mackenzie Investment for general corporate purposes.

As a result of this sale, the Purchaser is entitled to receive distribution fees of .75% on average daily assets of the mutual funds' shares represented by the deferred selling commissions sold ("Eligible Shares"). In addition, the Purchaser will receive any redemption fees upon redemption of the Eligible Shares.

7 | Capital Assets

	1999	1998
Furniture and equipment	**$ 19,491**	$ 17,202
Leasehold improvements	**19,722**	16,149
Computer hardware	**16,136**	15,414
Computer software	**31,976**	26,776
	87,325	75,541
Accumulated depreciation and amortization	**58,330**	45,873
	$ 28,995	$ 29,668

8 | Other Assets

Other assets comprise the following:

	1999	1998
Management contracts, net of accumulated amortization	**$ 10,367**	$ 11,903
Goodwill, net of accumulated amortization	**4,405**	5,153
Issue costs, net of accumulated amortization	**6,469**	989
Other	**1,765**	1,627
	$ 23,006	$ 19,672

9 | Segregated Assets

M.R.S. Trust has set aside assets related to its customer deposits as follows:

	1999	1998
Cash and short-term investments	**$ 32,724**	$ 45,651
Loans		
Mortgage loans	**150,574**	130,160
Consumer loans	**87,577**	62,090
Accounts and other receivables	**10,939**	16,391
Total assets held for customer deposits	**$ 281,814**	$ 254,292

10 | Senior Debentures and Notes Payable

	1999	1998
Senior Debentures		
Series 1	**$ –**	$ 50,000
Series 2	**50,000**	50,000
	50,000	100,000
Notes	**16,697**	24,259
	$ 66,697	$ 124,259

Senior Debentures

Effective April 2, 1996, by short form prospectus, the Corporation issued $100,000 of unsecured indebtedness evidenced by $50,000 aggregate principal amount of 7.20% Senior Debentures designated as Series 1, which matured March 15, 1999 and $50,000 aggregate principal amount of 7.72% Senior Debentures designated as Series 2, maturing March 15, 2001. Interest on the Senior Debentures is payable in semi-annual instalments on March 15 and September 15. The expense of the issue, inclusive of underwriters' fees of $538, was $947.

Notes

Amortizing Asset-Backed Notes ("Notes"), Series 1994–1 mature on March 1, 2001, bear interest at 6.67% per annum, calculated semi-annually, and are repayable monthly in equal blended amounts of principal and interest of $744. A fixed and floating charge on MSP's right to receive distribution and related fees, the proceeds therefrom and amounts from investments of its liquid assets have been pledged as collateral for the Notes which are non-recourse to the Corporation. The annual principal payments required in each of the next two years are $8,075 in 2000 and $8,622 in 2001, at which point in time the Notes will be fully repaid.

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11 | Preferred A Units

Effective April 6, 1998, the Corporation completed the first closing of the initial public offering of eight million Preferred A Units of Mackenzie Income Trust (the "Trust") for $200,000, $120,000 payable at closing and $80,000 on November 30, 1998. Effective May 12, 1998 the Corporation completed the second closing of the initial public offering for 100 thousand Preferred A Units for $2,500, $1,500 payable at closing and $1,000 payable on November 30, 1998. Concurrent with the closings of the offering, the Corporation subscribed for $218,752 of ordinary units of the Trust.

The Preferred A Units are listed on The Toronto Stock Exchange under the ticker symbol MKA and have been rated P-2 by the Canadian Bond Rating Service Inc. The net proceeds of the offering of $195,141 and the proceeds from the purchase of ordinary units by the Corporation were loaned to the Corporation to finance and refinance the sale of redemption charge securities of mutual funds managed by the Corporation and its Canadian subsidiaries for the period January 1, 1997 to approximately November 30, 1998.

The Corporation issued to the Trust a Secured Note (the "Note") equal to 98% and a Participation Agreement equal to 2% of the amount received from the Trust. By way of the Participation Agreement, the Trust has purchased from the Corporation the right to continue to receive a part of the management fee and redemption charges to December 31, 2002 in the event the Note is repaid in full before that time. The Note bears interest at a rate of 6% per annum.

The Trust distributes quarterly to each Preferred A Unitholder a cumulative, preferential share of the Trust's distributable cash flow (the "Preferential Distribution"). The amount of the Preferential Distribution is $6.0192 per Preferred A Unit per annum comprised of both income and capital. The first Preferential Distribution was paid in July 1998 and the final Preferential Distribution will be paid on or before January 15, 2003.

The balance owing to the Preferred A Unitholders as at March 31, 1999 in the amount of $164,135, is reflected as a liability in the consolidated balance sheets. The expense component of the Preferential Distribution, in the amount of $10,391, is included in other interest expense in the consolidated statements of earnings and retained earnings.

12 | Capital Stock

(a) Stock Options

The Corporation has granted options to purchase common shares to employees, at a minimum of the market price on the date the options were granted. These options have five year terms. Options granted on May 19, 1998 or later are exercisable three years from date of grant and options granted prior to May 19, 1998 are exercisable one year from date of grant.

A maximum number of 2,274,338 common shares has been reserved for future option grants under the share option plan. The maximum number of shares to be allocated to each employee is 1% of the issued and outstanding common shares of the Corporation.

Year Granted	Expiry Date	Option Exercise Price $	Stock Options: Outstanding March 31, 1998	Issued in Fiscal 1999	Exercised in Fiscal 1999	Cancelled in Fiscal 1999	Outstanding March 31, 1999
1993	1998	3.81 - 6.00	1,189,200	–	1,189,200	–	–
1994	1999	3.75 - 4.31	523,000	–	102,000	–	421,000
1995	2000	4.00 - 5.63	1,014,900	–	232,250	–	782,650
1996	2001	6.63 - 8.85	1,101,100	–	151,500	–	949,600
1997	2002	12.35 - 20.48	3,073,000	–	311,875	32,500	2,728,625
1998	2003	13.00 - 22.05	35,000	2,208,550	–	43,875	2,199,675
1999	2004	15.90 - 20.90	–	2,186,800	–	–	2,186,800
			6,936,200	4,395,350	1,986,825	76,375	9,268,350

During the year ended March 31, 1999, options for 1,986,825 shares (1998 – 2,645,000; 1997 – 3,002,400) were exercised for cash proceeds of $13,303 (1998 – $14,768; 1997 – $11,859). The weighted average price for options issued during the year ended March 31, 1999 was $19.31 (1998 – $13.16; 1997 – $6.85).

(b) Earnings per Share

Fully diluted earnings per share has been calculated on the basis that all of the options to purchase common shares existing at the end of the year had been exercised at the beginning of the year or date of issuance, if later.

13 | Income Tax

Reconciliation of statutory effective rates of income tax:

	1999	1998	1997
Earnings before provision for income taxes			
Canada	$ 176,315	$ 115,299	$ 90,832
United States	20,620	21,690	4,549
Earnings before provision for income taxes	$ 196,935	$ 136,989	$ 95,381
Income taxes			
Federal and Provincial Statutory tax rates	44.62%	44.62%	44.62%
Tax at statutory rates	$ 87,872	$ 61,124	$ 42,559
Adjusted for the effect of:			
Utilization of loss carry forward - Mackenzie Investment	-	-	(4,549)
Difference between Canadian rate and rate applicable to Mackenzie Investment	(1,310)	(1,629)	–
Tax exempt investment income	(5,303)	(86)	(95)
Disallowed expenses			
Food and entertainment	1,353	1,158	905
Amortization	1,307	1,219	664
Other items	4,323	3,370	3,639
Income taxes reported	$ 88,242	$ 65,156	$ 43,123

14 | Supplemental Cash Flow Information

Changes in non-cash balances related to operations:

	1999	1998	1997
Net decrease (increase) in non-cash balances related to operations:			
Marketable securities	**$ (60,551)**	$ 13,850	$ (73,179)
Accounts and other receivables	**(10,374)**	13,203	(44,515)
Income taxes recoverable	**18,252**	30,819	(14,789)
Investment in affiliated company	**77,473**	–	–
Accounts payable and accrued liabilities	**18,648**	(8,238)	36,326
	$ 43,448	$ 49,634	$ (96,157)

15 | Commitments

The Corporation has operating lease commitments as shown:

2000	$ 14,155
2001	10,114
2002	7,389
2003	7,042
2004	1,235
2005 and thereafter	3,455
Total	$ 43,390

16 | Segmented Information

In 1997, new accounting guidelines were jointly issued in the United States and Canada concerning the disclosure requirements for segmented information. The new standard replaces the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Corporation's reportable segments. The Corporation has adopted the new requirements retroactively. Based on the Corporation's internal management reporting structure the reportable operating segments are as follows:

Canadian asset management operations – This segment provides management services to public mutual funds in Canada. The three principal components of the management services are: portfolio investment management for the funds; distribution services to promote the sale of the funds' securities to the public; and administrative services, including transfer agency, fund and trust accounting, financial reporting and regulatory compliance. In addition to its Canadian mutual fund operation, this segment provides investment management services to private and institutional accounts.

U.S. asset management operations – This segment provides management services to public mutual funds in the U.S. The specific services are similar to those described above for the Canadian mutual fund operations. This segment also provides sub-advisory services to certain Canadian funds distributed by the Corporation in Canada; and

Trust and administrative services – This segment provides fiduciary and account administration services for registered retirement savings plans, registered retirement income funds, group retirement savings plans, pension plans and registered education savings plans. Account administration services are also provided for investment accounts. This segment also conducts a traditional deposit taking and mortgage and consumer lending business, which includes both RRSP contribution and investment loans. The trust and administrative services' segment operates entirely in Canada.

The accounting policies of the above segments are the same as those described in the 'Significant Accounting Policies' in note 2. Intersegment revenues are recorded at market prices. The Corporation evaluates the performance of its segments and allocates resources to them based on net earnings. Information about the Corporation's segments for the years ending March 31, 1999, 1998 and 1997 is shown below.

	Canadian Asset Management	Trust and Administrative Services	Total Canadian Operations	U.S. Asset Management	Total Operations
1999					
Revenues from external sources	$ 557,193	$ 50,016	$ 607,209	$ 79,835	$ 687,044
Intersegment revenues	144	4,906	5,050	9,013	14,063
Interest income	9,637	21,137	30,774	2,052	32,826
Interest expense	19,034	10,282	29,316	712	30,028
Amortization of capital assets, management contracts and goodwill	11,089	1,348	12,437	2,455	14,892
Amortization of deferred selling commissions	133,355	–	133,355	9,314	142,669
Provision for income taxes	76,852	3,671	80,523	7,719	88,242
Equity in earnings of affiliated company	628	–	628	–	628
Net earnings	92,343	3,614	95,957	10,780	106,737
Segment assets	1,013,772	319,924	1,333,696	87,792	1,421,488
Expenditures for capital assets	8,254	1,526	9,780	1,157	10,937
1998					
Revenues from external sources	$ 414,107	$ 48,317	$ 462,424	$ 73,531	$ 535,955
Intersegment revenues	1,009	3,568	4,577	7,814	12,391
Interest income	2,401	18,831	21,232	1,127	22,359
Interest expense	9,272	10,088	19,360	679	20,039
Amortization of capital assets, management contracts and goodwill	13,877	1,376	15,253	2,010	17,263
Amortization of deferred selling commissions	97,040	–	97,040	9,901	106,941
Provision for income taxes	54,636	2,155	56,791	8,365	65,156
Equity in earnings of affiliated company	7,181	–	7,181	–	7,181
Net earnings	62,413	2,638	65,051	11,380	76,431
Segment assets	723,175	291,380	1,014,555	87,564	1,102,119
Investment in affiliated company	77,581	–	77,581	–	77,581
Expenditures for capital assets	12,454	3,538	15,992	1,196	17,188
1997					
Revenues from external sources	$ 303,576	$ 48,781	$ 352,357	$ 37,441	$ 389,798
Intersegment revenues	2,085	2,534	4,619	5,389	10,008
Interest income	5,731	20,927	26,658	781	27,439
Interest expense	9,684	13,074	22,758	318	23,076
Amortization of capital assets, management contracts and goodwill	13,465	1,536	15,001	1,667	16,668
Amortization of deferred selling commissions	58,100	–	58,100	3,836	61,936
Provision for income taxes	40,911	2,212	43,123	–	43,123
Equity in earnings of affiliated company	6,957	–	6,957	–	6,957
Net earnings	49,497	2,586	52,083	9,668	61,751
Segment assets	594,404	311,188	905,592	86,955	992,547
Investment in affiliated company	68,682	–	68,682	–	68,682
Expenditures for capital assets	12,903	1,005	13,908	557	14,465

A reconciliation of total segment revenues to total consolidated revenues for the years ended March 31, 1999, 1998 and 1997 is as follows:

	1999	1998	1997
Total segment revenues	**$ 701,107**	$ 548,346	$ 399,806
Elimination of intersegment revenues	**14,063**	12,391	10,008
Consolidated revenues	**$ 687,044**	$ 535,955	$ 389,798

Fair Value of Financial Instruments

The amounts set out below represent the fair value of on- and off-balance sheet financial instruments of the Corporation. The aggregate fair value of the financial instruments presented does not represent management's estimate of the underlying value of the Corporation.

While fair value amounts are designed to represent estimates of the amounts at which instruments could be exchanged in current transactions between willing parties, certain of the Corporation's financial instruments lack an available trading market. Therefore, fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flow and discount rates which reflect varying degrees of risk.

	Book value	Estimated fair value
Assets		
Marketable securities		
Merrill Lynch & Co., Canada Ltd.	$ 118,944	$ 223,440
Government of Canada bond	30,160	30,322
Seed capital	11,893	13,401
Loans	238,584	239,452
Accounts and other receivables		
Receivable on sale of mortgage-backed securities	3,165	3,507
	$ 402,746	$ 510,122
Liabilities		
Customer deposits		
Guaranteed investment certificates	$ 281,814	$ 283,842
Debentures and notes		
Notes	16,697	16,939
Senior debentures – Series 2	50,000	51,950
Preferred A Units	164,135	156,330
	230,832	225,219
	$ 512,646	$ 509,061

The estimated fair value of the remaining monetary assets and liabilities is approximately equal to book value as the items are short-term in nature.

The fair value of loans and customer deposits is determined by discounting the expected future cash flows of the loans and deposits at market rates for loans and deposits with similar credit risk.

18 | Differences from United States Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. United States generally accepted accounting principles ("U.S. GAAP") differ in the following material areas, with respect to the Corporation's financial statements:

a) Marketable securities

Under U.S. GAAP, SFAS No. 115 requires that available-for-sale securities be reported at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income whereas under Canadian GAAP such securities are carried at the lower of cost and market value.

b) Comprehensive income

Under U.S. GAAP, SFAS No. 130 requires that companies report comprehensive income as a measure of overall performance. Comprehensive income includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. There is no similar concept under Canadian GAAP.

c) Diluted earnings per share

Under U.S. GAAP, SFAS No. 128 requires that diluted earnings per share be calculated using the treasury method. This method assumes that cash proceeds are applied to buy back the company's own common stock at the higher of the average market price for the period or the year end market price. Under Canadian GAAP cash proceeds from the deemed exercise of stock options are assumed to be invested in such a way as to earn a reasonable return.

d) Stock based compensation

Under U.S. GAAP, SFAS No. 123 encourages, but does not require, entities to record compensation expense based on the fair value of stock options on the date of grant. The Corporation continues to follow the alternative pronouncement which measures compensation expense based on the intrinsic value of the option on the date of grant.

The application of accounting principles generally accepted in the United States as described above would have the following approximate effects on the consolidated financial statements:

Consolidated Balance Sheets

	1999	1998
Marketable securities as reported	**$ 160,997**	$ 59,329
Effect of SFAS 115	**106,004**	1,657
Marketable securities – U.S. GAAP	**$ 267,001**	$ 60,986
Deferred taxes as reported	**$ 260,669**	$ 200,456
Effect of SFAS 115	**35,475**	555
Deferred taxes – U.S. GAAP	**$ 296,144**	$ 201,011
Shareholders' equity as reported	**$ 451,149**	$ 355,779
Effect of SFAS 115	**70,529**	1,102
Shareholders' equity	**$ 521,678**	$ 356,881

Consolidated Statements of Comprehensive Income

	1999	1998	1997
Net earnings	**$ 106,737**	$ 76,431	$ 61,751
Other comprehensive income:			
Currency exchange adjustment	**3,382**	2,752	–
Unrealized gains (losses) on marketable securities, net of tax	**69,427**	822	(756)
Comprehensive income	**$ 179,546**	$ 80,005	$ 60,995

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Earnings Per Share Calculations

	1999	1998	1997
Weighted average number of shares outstanding during the year:			
Basic	**126,205,623**	124,033,869	120,618,754
Fully diluted	**128,714,185**	127,088,734	122,547,672
Earnings per share:			
Basic	**$ 0.85**	$ 0.62	$ 0.51
Fully diluted	**$ 0.83**	$ 0.60	$ 0.50

Future Accounting Changes

In June of 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", which will be effective for the Corporation's fiscal year ending March 31, 2001. The standard provides guidance for the accounting for all derivative and hedging activities. The standard requires that all derivative instruments be reported on the consolidated balance sheet at their fair values, with changes in the fair value for derivatives that are not hedges reported through the consolidated statement of earnings and retained earnings. The changes in the fair value of derivatives that are hedges will be reported either through the consolidated statement of comprehensive income until the hedged item is recognized in earnings, or through the consolidated statement of earnings and retained earnings, depending on the nature of the hedge. The changes recommended by this standard are currently being reviewed to determine the impact on the Corporation.

19 | Contingent Liability

M.R.S. Trust has been named as a defendant in an amended statement of claim filed by a number of investors in respect of certain investments made by them in their registered retirement savings plan for which M.R.S. Trust acts as trustee. The claim, as amended, relates to the loss by investors of approximately $2.7 million in aggregate. The plaintiffs are seeking damages, interest and costs. The claim is seeking, but has not yet received, certification as a class action suit.

Given M.R.S. Trust's limited trustee role, management is of the opinion that the claim against M.R.S. Trust will not be successful. Management also believes that M.R.S. Trust is insured against any losses resulting from a successful claim.

20 | Year 2000

The Year 2000 issue arises because many existing computer systems record and identify years with two digits, rather than four. These systems may not properly distinguish years beginning after 1999, as they may, for example, recognize the year 2000 as 1900 or some other date. As a result, data processing by such date-sensitive systems may result in errors. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If not properly addressed, the impact on operations and financial reporting may range from minor calculation errors to significant systems failure, which could affect the Corporation's ability to conduct normal business activities. While the Corporation has initiated an extensive program intended to ensure computer systems will be ready for the Year 2000 in advance of January 1, 2000, it is not possible to be certain that all aspects of the Year 2000 issue will be resolved and that the problems will not adversely affect the Corporation.

In addition to the Corporation's own internal systems, the impact of the Year 2000 issue will depend on the readiness of other entities, such as suppliers, or other counterparties, as well as any entity providing data to, receiving from, or processing data for the Corporation.

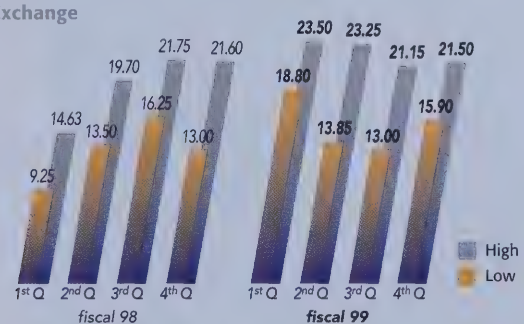
Selected Quarterly Financial Information

Unaudited, in millions of dollars
except per share and price date

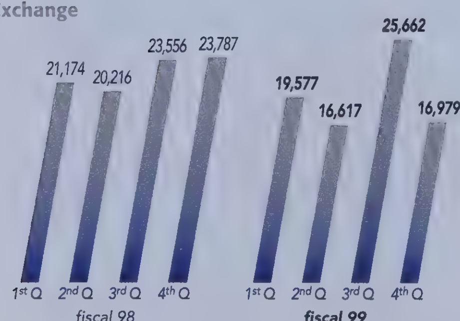
Fiscal 1999 *for quarter ended*	June 30	September 30	December 31	March 31
Revenues	**$ 161.6**	**$ 197.1**	**$ 159.0**	**$ 169.3**
Expenses	**$ 122.7**	**$ 119.4**	**$ 121.0**	**$ 127.0**
Equity in earnings (losses) of affiliated company	**$ 1.5**	**$ (0.9)**	**$ –**	**$ –**
Net earnings	**$ 21.2**	**$ 44.8**	**$ 19.4**	**$ 21.3**
Earnings per share	**$ 0.17**	**$ 0.36**	**$ 0.15**	**$ 0.17**

Fiscal 1998 *for quarter ended*	June 30	September 30	December 31	March 31
Revenues	$ 122.6	$ 131.6	$ 135.3	$ 146.5
Expenses	$ 90.0	$ 95.2	$ 102.7	$ 111.1
Equity in earnings of affiliated company	$ 1.9	$ 2.2	$ 1.2	$ 1.9
Net earnings	$ 18.9	$ 20.4	$ 17.9	$ 19.2
Earnings per share	$ 0.15	$ 0.17	$ 0.14	$ 0.16

High/low share prices –
The Toronto Stock Exchange
(in dollars)



Trading Volume –
The Toronto Stock Exchange
(in thousands of shares)



Our History

- [illegible] • Opened Industrial Growth Fund
- [illegible] • Opened Industrial Pension Fund
- [illegible] • Acquired Industrial Equity Fund Limited
- [illegible] • Mackenzie became a public company
- [illegible] • Opened Industrial Income Fund
- [illegible] • Acquired Industrial Dividend Fund Limited
  - Opened Industrial American Fund
- [illegible] • Acquired ITCO Investment Fund Limited
- [illegible] • Merged Industrial Dividend Fund Limited with ITCO Investment Fund Limited
- [illegible] • Acquired 30% interest in U.S.E. Fund Management Ltd.
- [illegible] • Mackenzie's common shares listed on The Toronto Stock Exchange
  - Acquired Mackenzie Equity Fund
- [illegible] • Acquired Industrial Mortgage Securities Fund
- [illegible] • Opened Industrial Cash Management Fund
- [illegible] • Incorporated Mackenzie Investment Management Inc.
  - Opened the Mackenzie Series Trust funds in the United States
  - Opened Universal International Stock Fund
- 1986 • Acquired M.R.S. Trust Company
- 1987 • Opened Industrial Horizon Fund
  - Formed Industrial Horizon Partnership 1987 and 1988
  - Opened Mackenzie Canada Fund in the United States
- 1988 • Opened Industrial Future Fund
  - Opened three tax exempt municipal funds in the United States
  - Formed Industrial Horizon Partnership
- 1989 • Opened Industrial Bond Fund
  - Opened Mackenzie Growth and Income Fund in the United States
- 1990 • Formed Industrial Horizon Partnership
  - Purchased minority interest in Midland Walwyn Inc.
- 1991 • Opened Industrial Balanced Fund
  - Opened Industrial Short-Term Fund
- 1992 • Acquired Ivy Management, Inc. and management of the four Ivy Funds in the United States
  - Opened Universal U.S. Emerging Growth Fund
  - Formed Industrial Horizon Partnership
  - Opened four Ivy Funds in Canada
- 1993 • Formed Industrial Horizon Partnership 1992-II
  - Acquired the remaining 70% of U.S.E. Fund Management Limited and management of four Universal Funds
  - Acquired Multiple Retirement Services Inc.

1994
- Opened Ivy China Region Fund and Ivy Emerging Growth Fund in the United States
- Opened Universal Far East Fund, Universal World Asset Allocation Fund, Universal World Emerging Growth Fund, Universal World Precious Metals Fund, Universal World Balanced RRSP Fund and Ivy Mortgage Fund
- Formed Mackenzie Securitized Partnership
- Listed Mackenzie's common shares on NASDAQ and The Montreal Exchange

1995
- Opened Universal European Opportunities Fund, Universal Japan Fund, Universal U.S. Money Market Fund, Universal World Growth RRSP Fund and Universal World Tactical Bond Fund
- Opened Ivy Latin American Strategy Fund and Ivy New Century Fund in the United States
- Launched the STAR Asset Allocation program
- Formed Mackenzie Limited Partnership 1994 and Mackenzie Master Limited Partnership

1996
- Opened Universal Growth Fund
- Issued $50,000,000 Series 1 and $50,000,000 Series 2 Senior Unsecured Debentures

1997
- Opened Universal Canadian Balanced Fund and Universal World Science & Technology Fund in Canada
- Opened five Ivy Funds in the United States: Ivy Asia Pacific Fund, Ivy Global Natural Resources Fund, Ivy International Fund II, Ivy International Small Companies Fund and Ivy Pan-Europe Fund
- Public offering of Mackenzie Investment Management Inc. common shares (TSE stock symbol: MCI)

1998
- Opened 12 new Funds
- Launched the KEYSTONE asset allocation program in Canada
- Launched the M.R.S. Trust Company mortgage referral program for clients of financial advisors
- Created Mackenzie Income Trust and raised $200 million through an initial public offering of Preferred "A" Units, April 6, 1998, to finance selling commissions in Canada

1999

- Sold minority interest in Midland Walwyn Inc. to Merrill Lynch Inc.
- Acquired the Cundill Funds
- Launched four new Funds in Canada and three new Funds in the United States
- Announced a joint venture with Great-West Life to launch 38 Mackenzie-branded segregated funds in Canada
- Launched investment loans and high interest bearing deposit accounts through M.R.S. Trust Company

Eleven Year Statistical Summary

(thousands of dollars except per share figures)

	For the years ended March 31	**1999**	1998	1997	1996
	Assets under management *(in millions)*	**$ 33,451**	$ 31,334	$ 22,152	$ 16,884
	Revenue				
	Management and administration fees	**$ 548,801**	$ 461,889	$ 330,891	$ 250,277
	Gain on marketable securities	**42,701**	2,238	2,509	(53)
	Other revenues	**95,542**	71,828	56,398	43,099
		687,044	535,955	389,798	293,323
	Expenses				
	General and administrative	**129,543**	110,499	92,913	88,334
	Trail commissions	**116,800**	90,914	59,824	41,823
	Amortization of deferred selling commissions	**142,669**	106,941	61,936	31,419
	Other expenses	**101,097**	90,612	79,744	65,246
		490,109	398,966	294,417	226,822
	Earnings before provision for income taxes	**196,935**	136,989	95,381	66,501
	Provision for income taxes	**88,242**	65,156	43,123	31,003
	Net earnings before equity in earnings of affiliated company, dilution gain *(loss)* and minority interest	**108,693**	71,833	52,258	35,498
	Equity in earnings of Midland Walwyn	**628**	7,181	6,957	5,230
	Dilution gain *(loss)*	**(462)**	(638)	3,062	–
	Minority interest share of earnings	**(2,122)**	(1,945)	(526)	–
	Net earnings for the period	**$ 106,737**	$ 76,431	$ 61,751	$ 40,728
	Earnings before interest, taxes, depreciation and amortization *(EBITDA)*	**$ 372,380**	$ 275,755	$ 193,701	$ 121,320
	Cash flow from operations before the payment of selling commissions and changes in non-cash balances related to operations	**$ 288,024**	$ 254,015	$ 168,173	$ 126,434
71	Shareholders' equity	**$ 538,241**	$ 426,186	$ 342,161	$ 288,452
	Debentures, notes and Preferred "A" Units	**$ 230,832**	$ 124,259	$ 131,341	$ 37,973
72	Common shares outstanding	**126,891,455**	124,904,630	122,259,630	119,257,230
73	Per share data				
74	Net earnings	**$ 0.85**	$ 0.62	$ 0.51	$ 0.34
75	Net earnings – fully diluted	**$ 0.82**	$ 0.59	$ 0.49	$ 0.33
	EBITDA	**$ 2.95**	$ 2.22	$ 1.61	$ 1.02
76	Cash flow from operations *(as defined above)*	**$ 2.28**	$ 2.05	$ 1.39	$ 1.06
77	Dividends paid	**$ 0.090**	$ 0.080	$ 0.075	$ 0.070
78	Book value	**$ 4.24**	$ 3.41	$ 2.80	$ 2.42

79 *Notes: Net earnings and earnings per share, for the three years ended March 31, 1999, have been amended to reflect the Corporation's adoption of the recommendations of the Canadian Institute of Chartered Accountants for recording and disclosing income taxes. Prior years results remain as reported.*

80 *Comparative figures reflect all prior stock splits (3 for 1 in August 1979; 2 for 1 in September 1983; 3 for 1 in January 1986; 3 for 1 in September 1987; 2 for 1 in November 1997)*

1995	1994	1993	1992	1991	1990	1989
$ 13,100	$ 12,122	$ 8,773	$ 8,371	$ 8,977	$ 9,548	$ 8,392
$ 212,043	$ 178,831	$ 119,574	$ 125,003	$ 132,832	$ 135,692	$ 93,223
(19)	543	(307)	165	–	316	–
32,077	27,493	25,978	28,620	26,847	21,692	16,563
244,101	206,867	145,245	153,788	159,679	157,700	109,786
80,951	84,016	64,084	49,083	54,951	47,702	47,898
33,057	25,095	15,005	14,669	14,690	12,609	2,226
20,645	9,871	6,067	5,567	5,565	4,235	569
55,717	46,950	34,119	27,457	23,255	17,731	10,949
190,370	165,932	119,275	96,776	98,461	82,277	61,642
53,731	40,935	25,970	57,012	61,218	75,423	48,144
25,066	19,586	14,177	28,052	30,507	35,989	25,121
28,665	21,349	11,793	28,960	30,711	39,434	23,023
785	14,712	6,070	1,066	(81)	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
$ 29,450	$ 36,061	$ 17,863	$ 30,026	$ 30,630	$ 39,434	$ 23,023
$ 92,488	$ 77,943	$ 47,529	$ 70,756	$ 72,906	$ 84,193	$ 51,895
$ 89,451	$ 61,665	$ 25,637	$ 39,334	$ 40,050	$ 54,536	$ 31,140
$ 254,215	$ 231,825	$ 196,950	$ 183,903	$ 156,050	$ 107,751	$ 71,326
$ 44,184	$ 50,000	$ –	$ –	$ –	$ –	$ –
118,528,230	118,508,230	116,256,800	115,743,400	114,200,800	108,150,800	107,294,800
$ 0.25	$ 0.31	$ 0.16	$ 0.26	$ 0.28	$ 0.37	$ 0.22
$ 0.25	$ 0.30	$ 0.15	$ 0.26	$ 0.27	$ 0.36	$ 0.21
$ 0.78	$ 0.66	$ 0.41	$ 0.62	$ 0.64	$ 0.78	$ 0.49
$ 0.75	$ 0.52	$ 0.22	$ 0.34	$ 0.35	$ 0.51	$ 0.29
$ 0.060	$ 0.055	$ 0.050	$ 0.045	$ 0.040	$ 0.035	$ 0.025
$ 2.14	$ 1.96	$ 1.69	$ 1.59	$ 1.37	$ 1.00	$ 0.66

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Corporate Governance
Composition of the Board

There are ten members of the Board of Directors. Messrs. Christ, Cunningham and Hunter represent management on the Board. The remaining seven directors are "unrelated directors" as defined in The Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada. Several of our unrelated directors also sit on the boards of our two major subsidiaries, Mackenzie Investment and M.R.S. Trust Company, to ensure that our Board is fully informed with respect to those subsidiary operations. Our Corporation is pleased to report that it complies with all of The TSE Corporate Governance Guidelines.

Committees of the Board

We have formed three Board Committees to address our on-going corporate governance obligations.

Harold P. Hands
Executive Vice President, Legal and Secretary and Chief Compliance Officer

The **Regulatory Compliance and Ethics Committee** is composed of a majority of unrelated directors. The Committee has assumed responsibility for oversight of compliance by the Corporation with appropriate standards for best practices, ethical conduct and all rules, regulations and laws which relate to our business operations. The Committee has primary responsibility for review of all public disclosure documents issued by the Corporation and its Canadian mutual funds.

Directors

ALEXANDER CHRIST
Chairman
Mackenzie Financial Corporation

C. DAVID CLARK
Corporate Director
Former Publisher and Chief Executive Officer
The Globe and Mail

GAIL COOK-BENNETT
Chairperson
CPP Investment Board

DERMOT G. J. COUGHLAN
Chairman and Chief Executive Officer
Derlan Industries Ltd.

WILLIAM G. CRERAR
Corporate Director
Former Chairman
Mackenzie Financial Corporation

PHILIP F. CUNNINGHAM
President and Chief Executive Officer
Mackenzie Financial Services Inc.

ALAN J. DILWORTH
President
Alan J. Dilworth Consulting Inc.
Former Partner
Deloitte & Touche

JAMES L. HUNTER
President and Chief Executive Officer
Mackenzie Financial Corporation

F. WARREN HURST
Corporate Director
Former Senior Policy Advisor
Investment Dealers Association of Canada

ALASDAIR J. McKICHAN
Corporate Director
Former President
Retail Council of Canada

The **Human Resource and Corporate Governance Committee** is composed entirely of unrelated directors. This Committee has primary responsibility for review and approval of all human resource and compensation policies proposed by management. It also oversees the process by which the Corporation meets The TSE Corporate Governance Guidelines each year.

from left
Dermot G. J. Coughlan
William G. Crerar
C. David Clark (Chair)

from left
F. Warren Hurst (Chair)
Gail Cook-Bennett
Alan J. Dilworth

The **Audit, Finance and Risk Committee** also is composed entirely of unrelated directors. On behalf of the Board it undertakes responsibility for oversight of effective management of the Corporation's financial and business risks, reliable management and financial reporting, and maintenance of an effective and efficient shareholders' audit.

Officers

Mackenzie Financial Corporation

Chairman
Alexander Christ

President & CEO
James Hunter

Vice-Chairman
Neil Lovatt
(Chief Investment Officer)

Executive Vice-Presidents
Philip Cunningham
Harold Hands
(Corporate Secretary)
Peter Hendrick
Michael Landry

Senior Vice-Presidents
Derek Batty
Sian Brown
James Dryburgh
(Chief Financial Officer)
Timothy Gleeson
Jerry Javasky
David McCullum
Veronica Onyskiw
Stephen Pozgaj
(Chief Information Officer)
William Procter
John Rohr
Peggy Rohr
Moira Saganski
Richard Sambrook
Frederick Sturm

Vice-Presidents
Bobbi Demchuk
James Haw
Chris Kresic
Chris McKim
Edward Merchand
Ian Osler
Charles Roth
Merici Young

Mackenzie Financial Services Inc.

President & CEO
Philip Cunningham

Executive Vice-Presidents
Andrew Dalglish
(Chief Operating Officer)
Todd Backman
David Feather
Terrence O'Sullivan
Ann Savege
Mark Tiffin

Senior Vice-Presidents
Paul Allan
Jean Bubendorff
Peter Chisholm
Michael Evans
James Fraser
Andrew Grant
Howard Gross
Gil McGowan
Marcus Slade
Candy Wu

Vice-Presidents
John Bennett
Alex Bright
Ashley Cameron
Loretta Cassell
Andrew Fegarty
Mark Foley
Liana George
Timothy Herron
Carl James
Bob Mask
Helene Nadeau
Robert Neish
Martin Noel
Lynn Vickers
David Wong
Millie Wong
Judith Yamamoto

Mackenzie Investment Management Inc.

President & CEO
Michael Landry

Executive Vice-President and Chief Operating Officer
Keith Carlson

Senior Vice-Presidents
James Broadfoot
(Chief Investment Officer)
William Ferris
(Chief Financial Officer and Secretary/Treasurer)

Vice-President
Barbara Trebbi

Vice-Presidents
Ivy Mackenzie Distributors, Inc.
Robert Perry
Beverly Yanowitch

Cundill Funds Inc.

President
Kerry Ho

Vice-President
Margaret Vrabel

MRS Group of Companies

Group President & CEO
Laurie Munro

President & CEO
M.R.S. Trust Company
Allan Warren

President & CEO
Multiple Retirement Services Inc.
Theresa Currie

Chief Operating Officer
Scott Sinclair

Senior Vice-President and Chief Financial Officer
Samuel London

Vice-Presidents
Richard Boyer
Lee Goldman
Michael Kazmierowski
Ian Mellott
Mary Lou Rice
Bruce Sheppard


world of choice

Why are advisors and investors choosing Mackenzie?

Ultimately, Mackenzie's success as a mutual fund manager boils down to three realities:

We are committed to Building Financial Independence for investors through working relationships with nearly 30,000 financial advisors throughout North America.

Investors recognize the importance of, and are prepared to pay for, sound, independent financial advice.

In a highly competitive marketplace, financial advisors choose to recommend our products.

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Key Areas

Financial Advisors are the independent professionals that have made us a prime choice because they value selection, innovation and performance. Our products and service support have consistently delivered these qualities in a number of key areas.

Product Design

Year after year, around the world, we develop new, innovative mutual funds and related products. All have been designed to meet real needs. All employ the right financial minds for the asset class or product at hand. And all have been well received in the marketplace. A prime example is Universal Select Managers Fund, which we developed in September 1998 for investors seeking a single foreign investment product offering diversification, strong growth potential and specialist expertise. This fund offers a 50-company portfolio composed of the ten "top picks" of five well-known managers, each a specialist. From its date of inception, it has enjoyed strong sales and performance and has become the recognized leader in this industry category.

Product Wrappers

We have also been successful at putting existing products into different structures as a means of adding new features and benefits that meet the objectives of investors and advisors. Our work in developing two fully RRSP-eligible foreign funds and a unique family of segregated funds best exemplifies this capability.

Universal RSP Select Managers Fund and Ivy RSP Foreign Equity Fund were launched in May 1999 and within weeks had effectively established a new product category. In just four weeks they attracted more than $200 million in assets. Designed to meet a requirement for greater foreign exposure for registered accounts, these innovative products "wrap" existing management teams and mandates in a proprietary and cost effective administrative structure. Our RRSP-eligible funds deliver the unique combination of a global mandate; 100% eligibility for RRSP and RRIF investing; proven, active management; and performance which is closely tied to two of our most successful international funds.

Our soon-to-be-introduced family of 38 segregated funds is also expected to be successful by offering superior benefits. Among these is the ability for investors with differing needs to choose between a "basic" guaranteed return of 75% of invested capital after ten years and an "enhanced coverage", providing 100% protection.

Product Pricing

Building on a position of industry leadership in reducing overall management expense ratios, we have begun the process of unbundling the cost components of management fees, operating expenses, and advisor compensation, allowing financial advisors to respond more directly to individual client needs. For example, our new Institutional Class of mutual fund units will offer high net worth Canadians personalized portfolios and service at lower cost by taking advantage of economies of scale and by eliminating the cost of financing the payment of sales commissions. Indications are that this initial application of the multi-class share concept will be well received by investors and advisors and that it offers a platform for a variety of other future applications.

Our competitive edge is also a result of the important contribution made by the MRS companies in developing a related suite of market-driven financial planning products and programs. Offered through MRS Trust, M.R.S. Inc. and MRS Securities Services Inc., these initiatives expand the Mackenzie offering to include investment loans, mortgages, self-directed plans, asset allocation programs featuring outside investment managers and equity and fixed income trading. Independent financial advisors continue to recognize that MRS provides a solid foundation to support their future growth in the face of competition from larger financial institutions.

Looking to the future, we will continue to offer new families of products as well as improved features and benefits for existing products.

IVY FUNDS

The Industrial Group of Funds

THE UNIV FUN

In partnership with our U.S. subsidiary and our four international investment advisors, Mackenzie provides its mutual fund investors with access to some of the most accomplished investment professionals in the world, whose organizations collectively oversee more than $750 billion of assets.

Peter Hendrick
Executive Vice President
Investment Operations

Chris Kresic
Industrial

Veronica Onyskiw
Industrial

Ian O
Indus

Neil Lovatt
Chief Investment Officer

Alex Christ
Industrial

Timothy Gleeson
Industrial

Bill Procter
Industrial

Ian Buckley
Universal

Jim Broadfoot
Universal

Tim Stevens
Universal

Brian Ashford-Russell
Universal

Ronald Chan
Universal

Fred Sturm
Universal

Scott Baker
Universal

Michael Borowsky
Universal

Raymond Chan
Universal

John Ricciardi
Universal

Peter Bassett
Universal

Phil Taller
Universal

Richard Gluck
Universal

Iain Clark
Universal

Campbell Gunn
Universal

Keith
Unive

tise

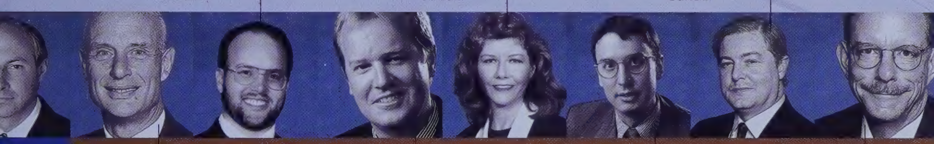
RSAL

The Cundill Funds

Tim McElvaine
Cundill

Leslie Ferris
Cundill

James Morton
Cundill



Peter Cundill
Cundill

David Briggs
Cundill

Alan Pasnik
Cundill

Gordon Garmaise
Garmaise Investment Technologies Inc.

Stephen Peak
Universal

Dina DeGeer
Universal

Paul Baran
Universal

Dennis Starritt
Universal

Andrew Stack
Universal

Barbara Trebbi
Universal

John Rohr
Universal

Nitin Mehta
Universal

Monica Ball
Universal

Nicholas Carn
Universal

John Partridge
Universal

Chuck Roth
Ivy

Jerry Javasky
Ivy

BOCA RATON

TORONTO

FT. LAUDERDALE

LONDON

TOKYO

GAPORE

VANCOUVER

PARIS

HONG KONG

SYDNEY

SAN FRANCISCO

Canadian Mutual Funds

The Industrial Group of Funds

Industrial American Fund
Industrial Balanced Fund
Industrial Bond Fund
Industrial Cash Management Fund
Industrial Dividend Growth Fund
Industrial Equity Fund Limited
Industrial Growth Fund
Industrial Horizon Fund
Industrial Income Fund
Industrial Mortgage Securities Fund
Industrial Pension Fund
Industrial Short-Term Fund
Sentinel Canadian Equity Fund

IVY FUNDS

Ivy Canadian Fund
Ivy Enterprise Fund
Ivy Foreign Equity Fund
Ivy Growth and Income Fund
Ivy Mortgage Fund
Ivy RSP Foreign Equity Fund

The Cundill Funds

Cundill Canadian Balanced Fund[14]
Cundill Canadian Security Fund[14]
Cundill Recovery Fund[14]
Cundill Value Fund[14]

KEYSTONE

10 individual portfolios of Mackenzie-managed mutual funds[15]

Keystone AGF American Fund[8]
Keystone AGF Bond Fund[8]
Keystone AGF Equity Fund[8]
Keystone BPI High Income Fund[9]
Keystone Beutel Goodman Bond Fund[10]
Keystone Saxon Smaller Companies Fund[11]
Keystone Sceptre Equity Fund[12]
Keystone Sceptre International Equity Fund[12]
Keystone Spectrum United American Fund[13]
Keystone Spectrum United Equity Fund[13]

STAR

17 individual portfolios of Mackenzie-managed mutual funds[15]

The Universal Funds

Universal Americas Fund[1]
Universal Canadian Balanced Fund[7]
Universal Canadian Growth Fund[7]
Universal Canadian Resource Fund
Universal European Opportunities Fund[2]
Universal Far East Fund[3]
Universal Future Fund
Universal International Stock Fund[2]
Universal Japan Fund[3]
Universal Precious Metals Fund
Universal RSP Select Managers Fund
Universal Select Managers Fund[1,2,&14]
Universal U.S. Emerging Growth Fund[1]
Universal U.S. Money Market Fund
Universal World Asset Allocation Fund[4]
Universal World Balanced RRSP Fund[1]
Universal World Emerging Growth Fund[2]
Universal World Growth RRSP Fund[1]
Universal World High Yield Fund[1]
Universal World Income RRSP Fund[1]
Universal World Real Estate Fund[2]
Universal World Resource Fund
Universal World Science and Technology Fund[1,2&5]
Universal World Tactical Bond Fund[4]
Universal World Value Fund[1]

U.S. Mutual Funds

Ivy Funds

Ivy Asia Pacific Fund
Ivy Bond Fund
Ivy China Region Fund
Ivy Developing Nations Fund
Ivy European Opportunities Fund[2]
Ivy Global Fund
Ivy Global Natural Resources Fund[5]
Ivy Global Science & Technology Fund
Ivy Growth Fund
Ivy Growth with Income Fund
Ivy International Fund[6]
Ivy International Fund II
Ivy International Small Companies Fund
Ivy International Strategic Bond Fund
Ivy Money Market Fund
Ivy Pan Europe Fund
Ivy South America Fund
Ivy U.S. Blue Chip Fund
Ivy U.S. Emerging Growth Fund

International SOLUTIONS

Five "fund of funds" portfolios managed by Ivy Mackenzie; Bankers Trust Company; Lazard Frères & Co., LLC; Montgomery Asset Management, LLC; Scudder Kemper Investments, Inc.; and Warburg Pincus Asset Management, Inc.

Portfolio management sub-advisors and Keystone Partners

1. Mackenzie Investment Management Inc., *Boca Raton, Florida, U.S.A.*
2. Henderson Investors Limited, *London, England.*
3. Thornton Investment Advisors Limited, *Hong Kong, China.*
4. Cursitor-Eaton Asset Management Company, *Paris, France.*
5. Mackenzie Financial Corporation, *Toronto, Canada.*
6. Northern Cross Investments Ltd., *Hamilton, Bermuda.*
7. Bluewater Investment Management Inc., *Toronto, Canada.*
8. AGF Funds Inc., *Toronto, Canada.*
9. BPI Capital Management Corporation, *Toronto, Canada.*
10. Beutel, Goodman & Company Limited, *Toronto, Canada.*
11. Howson Tattersall Investment Counsel Ltd., *Toronto, Canada.*
12. Sceptre Investment Counsel Limited, *Toronto, Canada.*
13. Spectrum United Mutual Funds Inc., *Toronto, Canada.*
14. Cundill Investment Research Inc., *Canada.*
15. Garmaise Investment Technologies Inc., Toronto, Canada.

Mackenzie
Building Financial Independence

ANNUAL MEETING

The annual meeting of shareholders
will be held on
Friday, September 10, 1999, at 10:00 am
at The Glenn Gould Theatre,
250 Front Street West,
Toronto, Ontario.

HEAD OFFICE

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INVESTOR RELATIONS

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Mackenzie Financial Corporation
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TRANSFER AGENT

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LISTINGS

The Toronto Stock Exchange – MKF
Montreal Exchange – MKF
NASDAQ – MKFCF